

# **PHUMELELA LOCAL MUNICIPALITY (FS 195) ANNUAL BUDGET**



## **2014/2015 TO 2016/2017 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

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### **Abbreviations and Acronyms**

BSC:	Budget Steering Committee
CFO:	Chief Financial Officer
MM:	Municipal Manager
CPI:	Consumer Price Index
DBSA:	Development Bank of South Africa
DoRA:	Division of Revenue Act
DWA:	Department of Water Affairs
FBS:	Free basic services
FMG:	Financial Management Grant
GRAP:	General Recognised Accounting Practice
HR:	Human Resources
IDP:	Integrated Development Strategy
IT:	Information Technology
kℓ:	kilolitre
km:	kilometre
KPA:	Key Performance Area
KPI:	Key Performance Indicator
kWh:	kilowatt
ℓ:	litre
LED:	Local Economic Development
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
MPRA:	Municipal Properties Rates Act
MSA:	Municipal Systems Act
MSIG:	Municipal Systems Improvement Grant
MTREF:	Medium-term Revenue and Expenditure Framework
NERSA:	National Electricity Regulator South Africa
NGO:	Non-Governmental organisations
NKPIs:	National Key Performance Indicators
NT:	National Treasury
OHS:	Occupational Health and Safety
PMS:	Performance Management System
PPE:	Property Plant and Equipment
RBIG:	Regional Bulk Infrastructure Grant
SALGA:	South African Local Government Association
SALGBC:	South African Local Government Bargaining Council
SDBIP:	Service Delivery Budget Implementation Plan

## **1.1 MAYOR'S REPORT**

The report by the Honourable Mayor: Cllr TJ Motaung will be included after delivering his budget speech on the 31 May 2014.

## 1.2 COUNCIL RESOLUTIONS

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### ITEM 55/05/2014

#### RE: PRESENTATION AND APPROVAL OF THE FINAL 2014/2015 CAPITAL AND OPERATING BUDGET AND IDP DOCUMENT

#### RESOLVED

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- That council approves the 2014/15 Reviewed Integrated Development Plan
  - That council resolves that the annual operating and capital budget of the municipality for the 2014/2015 MTREF and the two projected outer years 2015/2016 and 2016/2017 as set out in the following tables be approved:
    - Table A1 – Budget Summary
    - Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)
    - Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - Table A4 – Budgeted Financial Performance (revenue and expenditure)
    - Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding
    - Table A6 – Budgeted Financial Position
    - Table A7 – Budgeted Cash flows
    - Table A8 – Cash backed reserves/accumulated surplus reconciliation
    - Table A9 – Asset Management
    - Table A10 – Basic Service delivery measurement
  - That Council approves the budget related policies as reviewed by administration and summarized below.
    - Electricity shall be used as a credit control tool (Cut-off on conventional meter users and proportional allocation on prepaid users)
    - Water shall be used as a credit control tool (Water will be put on drips to limit consumption in the areas where electricity cannot be used)
    - Introduction of a 1% Corporate Social Investment Levy on all awards made by the municipality in excess of R200 000 to establish the mayoral fund.
    - Prioritisation of procurement from designated groups
      - Black owned/controlled - 50% of all procurements
      - Youth - 20% of all procurements
      - Women - 10% of all procurements
      - Co-operatives - 30% of all procurements
  - The reviewed policies are as follows:
    - Property Rates Policy
    - Tariff Policy
    - Indigent Policy
    - Credit Control and Debt Collection Policy
    - Supply Chain Management Policy
    - Bank and Investment Policy
    - Budget and Virements Policy
    - Debt impairment Policy
- For complete details regarding changes in policies, refer to Annexure D
- That council approves the new tariffs for the different services and rates and taxes to be implemented as from the 1 July 2014 as outlined on Annexure A (The increases are as follows):
  - Property Rates 7.5 % (2014/15), 5.4% (2015/16), 5.4% (2016/17)
  - Water 12% (2014/15), 14.5% (2015/16), 14.5% (2016/17)
  - Sanitation 8.5% (2014/15), 5.4% (2015/16), 5.4% (2016/17)
  - Refuse 9.5% (2014/15), 5.4% (2015/16), 5.4% (2016/17)
  - Electricity 7.39% (2014/15), 7.39% (2015/16), 7.39% (2016/17)
- That council notes that the SDBIP will be tabled within 28 days after the approval of the budget, its related schedules and annexures.

Signed by.....  
CLLR T.J. MOTAUNG (MAYOR)

.....  
DATE

## **1.3 EXECUTIVE SUMMARY**

### **1.3.1 Background**

This draft budget of Phumelela Local Municipality is compiled in accordance with prescribed legislative frameworks for the MTREF that is due to start on the 1 July 2014 to June 2017. According to section 16(2) of the MFMA, read together with section 215 of the constitution, the Mayor should at least 90 days before the beginning of every financial year table an annual budget for consultation to Council. This budget is, therefore, tabled to Council for consultation as operating and capital budget of the municipality for the financial year 2014/2015 and for the two projected outer years (2015/2016 and 2016/2017). This budget is thus tabled as a draft pending amendments as may be necessary following consultations with the local community and other relevant stakeholders as required by section 23 of the MFMA.

Section 24 of the MFMA requires that, the municipal council must at least 30 days before the start of the New Year consider the approval of the annual budget. This budget will be approved by the municipal council on/before the 31 May 2014 after incorporating public comments and amendments effected. This document was prepared with serious consideration of the local socio-economic scene and the continuous increase in unemployment and poor standard of living in our community. The municipality must thus, make initiatives to combat the challenges of poverty, unemployment and inequality through enhancement of projects that will encourage local economic development and other employment creation initiatives to improve lives of its community.

The municipality's cash flow trend is not good; this is due to poor debtors' collection and creditors' control. The community has been encouraged to come forth and register as indigents, as and if they qualify in accordance with the set criteria. This will help the municipality in cash forecasting and budget for realisable goals. Despite the current cash flow challenges, we are striving to improve the current status of service delivery through implementation of various cost saving methods and controls.

The Office of Budget and Treasury under the auspices of the CFO shall oversee the whole budgeting process, budget implementation and the monitoring thereof. All sections are advised to start saving costs in performing their duties yet maximising their performance. The following are some of the most overspending expenditure votes that should be seriously controlled: telephone, travel and subsistence, overtime, print and stationery. Every employee of the municipality shall take the ownership of this document and ensure maximum service delivery through implementation of the IDP priorities as set.

The municipality continues to provide for free basic water, electricity, sanitation and refuse-removal services but only to indigents and up-to a set benchmark. For the 2014/2015 MTREF, the indicative allocations for 2015/16 and 2016/17 have been calculated taking into account provisions of circular 72 of the MFMA issued on the 12 March 2014. Electricity bulk price increases of 8 percent, CPI forecast of 5.9 percent in 2014/2015 and 5.4 percent in both 2015/2016 and 2016/2017 as well as household growth in line with the period between 2001 and 2011. These variables will be updated in future budgets to reflect any changes in the growth in prices and/or change in affordability of our communities.

The threshold for receiving free basic services rose from R800 per month (in 2001 prices) to R2 700 per month (in 2014 prices). Equitable share provides funds for the institutional costs of municipalities and for community services; such as parks, recreation and firefighting. Important, this affordability threshold that informs the equitable share is set at R2 700 per month, as the municipality we have already reviewed our indigent policy and incorporate this development. As part of the Municipal Budget and Benchmark Engagements, National Treasury and the respective provincial treasury will assess this component of the municipality's indigent policy.

### **1.3.2 Overview**

The application of sound financial management principles for the compilation of PLM's financial plan is essential and critical to ensure that PLM remains financially viable and that municipal services are provided sustainably, economically and equitably to all its communities. PLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial

stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This exercise has resulted in shift from the surplus of R 3 000 to the surplus of R2 764 173 for the first financial year of the MTREF. The PLM has also introduced strategic measures to encourage consumers to pay their arrear debt.

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2014/2015 MTREF. The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, sanitation, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Salary increases for municipal staffs that continue to exceed consumer inflation, review of organisational structure that has just been undergone, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2014/2015 MTREF:

- The 2013/2014 Mid-year Budget Performance Report priorities and targets, as well as the base line allocations contained in the budget were adopted where applicable as the upper limits for the new baselines for the 2014/2015 annual budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased, affordability and the inflation rate as measured by the CPI were considered, price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity were also considered. In addition, MFMA Circular 70 and 72 were also considered. In these Circulars municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects (bursary fund, learnership, etc.) – The budget for bursaries is limited to those already awarded
  - Consultant Fees – This is limited to existing contracts as well as where the municipality does not have the necessary skills.
  - Furniture and office equipment (inventory) - The budget for these is limited to the requirements for new positions and existing staff that do not have furniture. The municipality needs to provide furniture and Equipment for 50 staff members to the tune of R400 000
  - Special Events (disaster management);
  - Refreshments and entertainment;
  - Subsistence and Travelling – The budget for this has been centralised in the Municipal Managers office, and all travelling is pre-authorised by him.
  - Overtime – The budget for this item is meant for extreme cases, where no alternative is available

In view of the executive summary, the following table is a consolidated overview of the 2014/2015 Medium-Term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/2015 MTREF**

Description	BUDGET 2013/2014	BUDGET 2014/2015	BUDGET +1 2015/2016	BUDGET +2 2015/2016
<b>Operating Revenue</b>	108 204 575	109 885 727	113 474 034	114 932 427
<b>Operating Expenditure</b>	108 201 575	107 121 554	111 484 621	118 180 719
<b>Surplus/(Deficit)</b>	3 000	2 764 173	1 989 413	(3 248 292)
<b>Capital Expenditure</b>	46 827 000	70 746 000	54 627 000	36 381 000

Total operating revenue is anticipated to grow by 1.6 percent or R1.6m for the 2014/2015 financial year when compared to the 2013/2014 Budget. For the two outer years, operational revenue will increase by 3.3 and 1.3 percent respectively, equalling a total revenue growth of R6.7m over the MTREF when compared to the 2013/2014 financial year.

**Note: Although the increase in revenue is minimal, the municipality has set itself the target of collecting almost three times what was collected in the budget year 2013/2014 (R 16 million rand was collected on services rendered, and a target collection of R44 million has been set for the budget year 2014/15).**

Total operating expenditure for the 2014/2015 financial year has been appropriated at R109.9m and translates into a budgeted surplus of R2.7m. When compared to the 2013/2014, operating expenditure is anticipated to decline by 1 percent in the 2014/2015 budget and increase by 4.07 and 6 percent for each of the respective outer years of the MTREF. The operating surplus for the two outer years slightly decreases to R1.989m in 2015/16 and a deficit of R3.248m is projected for 2016/17, which shows our commitment to service delivery.

The capital budget of R 70.7m for 2014/2015 is 56 percent more when compared to the 2013/2014 Budget. The increase is due to additional funding applied for by the municipality for the financial year 2014/15. The capital programme decreases to R54.627m in the 2015/2016 financial year and then a further decrease in 2015/2016 to R36.381m. Most of these projects (99.8 percent) of the capital budget will be funded from government grants namely, the Municipal Infrastructure Grant and Regional Bulk Infrastructure Grant. Other projects are not reflected on our budget as they fall within the scope of provincial and national government programmes

### **1.3.3 Operating revenue and expenditure framework**

For PLM to continue improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve a 75 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.



**Table 2: The following table is a summary of the 2014/2015 MTREF (classified by main revenue and expenditure source):**

**FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)**

City of Johannesburg - Table A4 Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
<b>Revenue By Source</b>											
Property rates	2	5,799	6,677	5,706	7,005	7,005	7,005	-	7,886	8,313	8,763
Property rates - penalties & collection charges		-	100	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	4,924	6,718	6,627	7,323	7,323	7,323	-	13,785	14,531	15,317
Service charges - water revenue	2	4,869	5,859	11,343	12,005	12,005	12,005	-	6,533	6,887	7,260
Service charges - sanitation revenue	2	5,369	5,573	5,480	5,650	5,650	5,650	-	7,145	7,532	7,940
Service charges - refuse revenue	2	5,098	5,282	5,310	5,964	5,964	5,964	-	5,814	6,129	6,461
Service charges - other		473	27	-	-	-	-	-	-	-	-
Rental of facilities and equipment		906	702	1,770	1,771	1,771	1,771	-	1,393	1,415	1,437
Interest earned - external investments		211	612	650	665	665	665	-	543	573	605
Interest earned - outstanding debtors		2,114	2,615	2,879	3,208	3,208	3,208	-	574	605	638
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		87	111	201	210	210	210	-	67	72	77
Licences and permits		13	40	43	24	24	24	-	23	25	27
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		79,920	56,249	60,433	61,710	61,710	61,710	-	63,099	64,200	63,042
Other revenue	2	7,716	3,035	3,173	2,670	2,670	2,670	-	3,024	3,192	3,365
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>117,500</b>	<b>93,600</b>	<b>103,614</b>	<b>108,205</b>	<b>108,205</b>	<b>108,205</b>	<b>-</b>	<b>109,886</b>	<b>113,474</b>	<b>114,932</b>
<b>Expenditure By Type</b>											
Employee related costs	2	22,753	28,349	35,016	43,156	43,156	43,156	-	51,529	53,820	57,260
Remuneration of councillors		3,048	3,653	4,283	4,112	4,112	4,112	-	5,190	5,501	5,831
Debt impairment	3	11,720	6,046	5,266	11,455	11,455	11,455	-	-	-	-
Depreciation & asset impairment	2	285	3,950	4,179	2,478	2,478	2,478	-	-	-	-
Finance charges		486	390	483	460	460	460	-	208	220	233
Bulk purchases	2	12,857	13,209	15,541	13,546	13,546	13,546	-	15,619	16,467	17,360
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		2,077	1,864	1,971	2,350	2,350	2,350	-	4,200	4,430	4,671
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	24,532	35,592	36,592	30,645	30,645	30,645	-	30,375	31,058	32,839
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>77,758</b>	<b>93,054</b>	<b>103,331</b>	<b>108,202</b>	<b>108,202</b>	<b>108,202</b>	<b>-</b>	<b>107,121</b>	<b>111,496</b>	<b>118,195</b>
<b>Surplus/(Deficit)</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and service charges forms a small part of the revenue base of the PLM. Rates and service charge revenues comprise just above a quarter of the total revenue mix.

In the 2014/2015 financial year, revenue from rates and services charges totalled R41.1m or 37.5 percent of the operating revenue. This increases to R43.3m and R45.7m in the respective financial years of the MTREF; this will be achieved through robust implementation of debt collection and credit control policy.

A notable trend of continuous increase in the total percentage revenue is envisaged to be generated from rates and services charges. This growth can be mainly attributed to an increase in the number of farms that are to be billed. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

The PLM's expenditure framework for the 2014/2015 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The budgeted allocation for employee related costs for the 2014/2015 financial year totals R51.5m, which equals 48.1 percent of the total operating expenditure. Based on the three year collective SALGBC agreement, salaries have been budgeted at a rate of 48.1 percent for the 2014/2015 financial year to accommodate for an increase of 6.8 percent and annual increase of 6.4 percent in the two outer years of the MTREF. Please note that these costs are the combination of salaries, social contributions and allowances. As part of the PLM's cost reprioritization and cash management strategy, vacancies have been significantly restructured. Most vacancies of critical and strategic positions were filled and that were not filled were also taken into account when this budget was compiled. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration and allowances of councillors were determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, no. 20 of 1998. This expenditure item is curbed at R5.5m representing 4.9 percent of the operating budget. In compiling the salary budget for Councillors, an increase was provided based on the most recent proclamation which came into effect on 1 July 2013.

Finance charges consist primarily of the repayment of interest (cost of capital) on long term annuity loans and the recently raised finance lease to acquire vehicles. This interest makes up 0.19 percent (R0.20m) of the operating expenditure excluding annual redemption for 2014/2015 and increases to R0.22m by 2015/2016.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses resulting from illegal connections, faulty meters and tempering. Bulk purchases are budgeted at R13.4m and R2.2m for electricity and water respectively which totals to 14.6 percent of the overall operating expenditure.

Contracted services have been identified as a cost saving area for the PLM. As part of the compilation of the 2014/2015 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. Contracted services constitute only R4.2m representing 3.9 percent of the total operating expenditure.

Other expenditure comprises of repairs and maintenance, operational provisions and various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved and is budgeted at R30.3m or 28.4 percent of the operating budget

Operating grants and transfers totals R63.1m in the 2014/2015 financial year, minor increases to R64.2m by 2015/16 and R63.0m in 2016/2017. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3: Operating transfers and grants receipts**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		47 988	–	59 673	60 446	60 446	60 446	63 099	64 200	63 042
Local Government Equitable Share		44 238	–	56 039	56 906	56 906	56 906	58 325	60 252	58 855
Finance Management		3 000	–	1 500	1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		750	–	800	890	890	890	934	967	1 018
Integrated National Electrification Programme		–	–	–	–	–	–	–	–	–
EPWP Incentive		–	–	–	1 000	1 000	1 000	1 000	–	–
		–	–	–	–	–	–	–	–	–
MIG PMU ESTABLISHMENT		–	–	1 334	–	–	–	1 040	1 031	1 069
<b>Provincial Government:</b>		873	–	760	–	–	–	–	–	–
COGTA - CFO Salary		473	–	760	–	–	–	–	–	–
COGTA - Refuse Dumps		400	–	–	–	–	–	–	–	–
DWA - Drought Relief		–	–	–	–	–	–	–	–	–
COGTA - Social Development		–	–	–	–	–	–	–	–	–
COGTA - Turnaround Strategy		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
<i>DBSA Capacity</i>		–	–	–	–	–	–	–	–	–
<i>Theta Learners</i>		–	–	–	–	–	–	–	–	–
<b>Total Operating Transfers and Grants</b>	5	48 861	–	60 433	60 446	60 446	60 446	63 099	64 200	63 042
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		12 630	–	25 293	45 277	45 277	45 277	68 046	54 627	36 381
Municipal Infrastructure Grant (MIG)		12 630	–	25 293	25 277	25 277	25 277	20 796	20 627	21 381
Regional Bulk Infrastructure		–	–	–	20 000	20 000	20 000	30 000	20 000	–
Rural Households Infrastructure		–	–	–	–	–	–	–	–	–
Integrated National Electrification Grant		–	–	–	–	–	–	8 000	14 000	15 000
Accelerated Community Infrastructure Programme		–	–	–	–	–	–	9 250	–	–
		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>		11 046	–	56 942	–	–	–	–	–	–
Other capital transfers/grants [insert description]		11 046	–	56 942	–	–	–	–	–	–
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
<i>Fire Station</i>		–	–	–	–	–	–	–	–	–
<i>Warden/ Memel</i>		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
<i>DBSA Capacity</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Total Capital Transfers and Grants</b>	5	23 676	–	82 235	45 277	45 277	45 277	68 046	54 627	36 381
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		72 537	–	142 668	105 723	105 723	105 723	131 145	118 827	99 423

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the PLM. National Treasury continues to encourage municipalities to ensure that rates, tariffs and other charges are cost-reflective yet keeping increases as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs is far beyond the mentioned inflation target. Given that, these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases by lowering consumer tariffs will erode the PLM's future financial position and viability.

It must also be appreciated that the inflation, as measured by consumer price index (CPI), is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk

purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### 1.3.5 Capital expenditure

**Table 5: Detailed capital budget per individual project**

MIG Reference Nr	Department	Town	Project Description	BUDGET 2014 - 2015	BUDGET 2015 - 2016	BUDGET 2016 - 2017
MIG/FS0364/S/09/09	Sanitation	Memel	Zamani/Memel:Sewer outfall pumps and rising main	-	-	-
MIG/FS0698/S/08/09	Sanitation	Memel	Zamani/Memel: Installation of Sewer Reticulation Network Phase 1	-	-	-
MIG/FS0810/W/09/10	Water	Memel	Zamani: 2ML Reservoir rising main & pumpstation	352 467	-	-
MIG	Roads	Memel	Zamani/Memel: Construction of 2km Paved Road	-	11 624 705	5 936 249
MIG	Community Services	Memel	Zamani/ Memel: Upgrading of Sports Facilities	-	440 000	-
MIG	Institutional Development	Shared	PMU	1 039 800	1 031 350	1 069 050
Not Registered	Water	Shared	Water Conservation and Demand Management Implementation	-	560 000	11 168 551
Own Revenue	Roads	Warden	Construction of the Oosthuysen road in Warden	1 000 000	-	-
	Roads	Memel	Construction of a bridge in Memel	500 000		
	Roads	Vrede	Construction of foot bridge in Vrede	500 000		
	Corporate Services	Vrede	Office furniture and hall chairs	450 000		
	Water	Shared	Water Meters	250 000	-	-
MIG/FS0633/S/06/09	Sanitation	Vrede	Thembalihle Ex 4: Construction of Sewer Network-1827 Stands	-	-	-
MIG/FS0807/SF/09/11	Community Services	Vrede	Vrede/Thembalihle Ex1: Upgrading of the sports facility	3 119 400	1 562 534	-
MIG/FS0993/R,ST/13/1/14	Roads	Vrede	Thembalihle: Construction of 2km paved road	10 270 945	290 356	-
DWA - ACIP	Sanitation	Vrede	Refurbishment of waste water treatment works in Vrede	2 700 000	-	-
MIG	Roads	Warden	Ezenzeleni: Construction of 1,5km paved road	6 013 388	6 118 055	-
MIG	Community Services	Warden	Ezenzeleni/Warden: Upgrading of the sports facility	-	1 531 516	3 207 150
DWA - RBIG	Water	Warden	Upgrading of bulk water in Warden, Pump station and Pipe Lines, Water treatment works, Reservoir	30 000 000	20 000 000	-
DOE	Electricity	Warden	Warden and Ezenzeleni Electrical Infrastructure refurbishment	8 000 000	14 000 000	15 000 000
DWA - ACIP	Sanitation	Warden	Refurbishment of waste water treatment works in Warden	6 550 000	-	-
MISA	Technical	Various	Fencing of municipal properties	-	-	-
				<b>70 746 000.00</b>	<b>57 158 516.00</b>	<b>36 381 000.00</b>

In 2014/2015 an amount of R70.7m has been appropriated for the development of infrastructure which represents 94.7 percent of the total capital budget with costs only accounting for 5.3 percent. An amount equal to R20.8m of the overall funding of these projects will be received from MIG, R9.3m from ACIP, R8.0m from DOE, R30m from RBIG and the remainder from surplus funds. Water infrastructure receives the highest allocation of R30m equalling 42.4 percent of the total capital budget.

## 1.3.6 IMPACT OF TARIFF INCREASES ON HOUSEHOLDS

### 1.3.6.1 Indigent Households

FS195 Phumelela - Supporting Table SA14 Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent								% incr.			
<b>Monthly Account for Household - 'Indigent'</b>	3										
<b>Household receiving free basic services</b>											
<b>Rates and services charges:</b>											
Property rates		–	–	–	–	–	–	7.5%	–	–	–
Electricity: Basic levy		–	–	–	–	–	–	7.4%	–	–	–
Electricity: Consumption		8.00	288.00	107.00	115.00	115.00	115.00	7.4%	124.00	133.00	143.00
Water: Basic levy		–	–	–	–	–	–	5.9%	–	–	–
Water: Consumption		–	82.60	87.36	92.26	92.26	92.26	12.0%	100.75	115.36	132.09
Sanitation		56.67	–	–	18.05	18.05	18.05	5.9%	27.97	32.18	36.62
Refuse removal		49.72	–	–	9.71	9.71	9.71	5.9%	19.05	22.78	26.71
Other		–	–	–	–	–	–	10.0%	–	–	–
<b>sub-total</b>		<b>114.39</b>	<b>370.60</b>	<b>194.36</b>	<b>235.02</b>	<b>235.02</b>	<b>235.02</b>	<b>15.6%</b>	<b>271.77</b>	<b>303.32</b>	<b>338.42</b>
VAT on Services		16.01	51.88	27.21	32.90	32.90	32.90	14.0%	38.05	42.46	47.38
<b>Total small household bill:</b>		<b>130.40</b>	<b>422.48</b>	<b>221.57</b>	<b>267.92</b>	<b>267.92</b>	<b>267.92</b>	<b>15.6%</b>	<b>309.82</b>	<b>345.78</b>	<b>385.79</b>
<b>% increase/-decrease</b>			<b>224.0%</b>	<b>(47.6%)</b>	<b>20.9%</b>	<b>–</b>	<b>–</b>		<b>15.6%</b>	<b>11.6%</b>	<b>11.6%</b>
									41.90	35.97	40.01

### 1.3.6.2 Affordable Range

FS195 Phumelela - Supporting Table SA14 Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent								% incr.			
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		71.75	159.25	166.83	178.21	178.21	178.21	7.5%	189.58	197.17	208.54
Electricity: Basic levy		56.51	68.03	75.51	81.55	81.55	81.55	7.4%	–	–	–
Electricity: Consumption		398.40	480.00	535.00	575.00	575.00	575.00	7.4%	650.00	698.04	749.62
Water: Basic levy		–	–	–	–	–	–	5.9%	–	–	–
Water: Consumption		134.00	147.50	156.00	164.75	164.75	164.75	12.0%	331.51	379.58	434.62
Sanitation		58.42	64.26	68.05	71.86	71.86	71.86	5.9%	77.97	82.18	86.62
Refuse removal		51.26	56.39	59.71	63.06	63.06	63.06	5.9%	69.05	72.78	76.71
Other		–	–	–	–	–	–	10.0%	–	–	–
<b>sub-total</b>		<b>770.34</b>	<b>975.43</b>	<b>1 061.10</b>	<b>1 134.43</b>	<b>1 134.43</b>	<b>1 134.43</b>	<b>16.2%</b>	<b>1 318.11</b>	<b>1 429.74</b>	<b>1 556.11</b>
VAT on Services		97.80	114.26	125.20	133.87	133.87	133.87	14.0%	157.99	172.56	188.66
<b>Total small household bill:</b>		<b>868.14</b>	<b>1 089.69</b>	<b>1 186.30</b>	<b>1 268.30</b>	<b>1 268.30</b>	<b>1 268.30</b>	<b>16.4%</b>	<b>1 476.11</b>	<b>1 602.30</b>	<b>1 744.77</b>
<b>% increase/-decrease</b>			<b>25.5%</b>	<b>8.9%</b>	<b>6.9%</b>	<b>–</b>	<b>–</b>		<b>16.4%</b>	<b>8.5%</b>	<b>8.9%</b>
<b>R Increase/-decrease</b>				<b>-0.65</b>	<b>-0.22</b>	<b>-1.00</b>	<b>-</b>		<b>207.81</b>	<b>126.19</b>	<b>142.47</b>

### 1.3.6.3 Middle Income Range

FS195 Phumelela - Supporting Table SA14 Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent								% incr.			
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		281.75	229.25	240.17	256.54	256.54	256.54	7.5%	272.92	283.83	300.21
Electricity: Basic levy		56.51	68.03	75.51	81.55	81.55	81.55	7.4%	–	–	–
Electricity: Consumption		800.00	835.20	884.79	1 150.00	1 150.00	1 150.00	7.4%	1 398.00	1 501.31	1 612.26
Water: Basic levy		–	–	–	–	–	–	12.0%	–	–	–
Water: Consumption		160.80	169.64	179.14	197.70	197.70	197.70	12.0%	436.91	500.26	572.80
Sanitation		58.42	61.63	68.05	71.86	71.86	71.86	8.5%	97.97	102.18	106.62
Refuse removal		51.26	54.08	59.71	63.05	63.05	63.05	9.5%	69.05	72.78	76.71
Other		–	–	–	–	–	–	10.0%	–	–	–
<b>sub-total</b>		<b>1 408.74</b>	<b>1 417.83</b>	<b>1 507.37</b>	<b>1 820.71</b>	<b>1 820.71</b>	<b>1 820.71</b>	<b>24.9%</b>	<b>2 274.85</b>	<b>2 460.37</b>	<b>2 668.60</b>
VAT on Services		157.78	166.40	177.41	218.98	218.98	218.98	14.0%	280.27	304.71	331.57
<b>Total large household bill:</b>		<b>1 566.52</b>	<b>1 584.23</b>	<b>1 684.78</b>	<b>2 039.69</b>	<b>2 039.69</b>	<b>2 039.69</b>	<b>25.3%</b>	<b>2 555.12</b>	<b>2 765.08</b>	<b>3 000.17</b>
<b>% increase/-decrease</b>			<b>1.1%</b>	<b>6.3%</b>	<b>21.1%</b>	<b>–</b>	<b>–</b>		<b>25.3%</b>	<b>8.2%</b>	<b>8.5%</b>
<b>R Increase/-decrease</b>									<b>515.43</b>	<b>209.97</b>	<b>235.09</b>

#### **1.4 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY**

The following pages present the ten main budget tables as required in terms of regulation 8 of the Municipal Budget and Reporting Regulations-Part 2 regulation 6. These tables set out the municipality's 2014/2015 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

**Table 6 (Table A1) – Budget Summary**

FS195 Phumelela - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	5,799	6,777	5,706	7,005	7,005	7,005	–	7,886	8,313	8,763
Service charges	20,734	23,459	28,759	30,942	30,942	30,942	–	33,277	35,079	36,978
Investment revenue	211	612	650	665	665	665	–	543	573	605
Transfers recognised - operational	79,920	56,249	60,433	61,710	61,710	61,710	–	63,099	64,200	63,042
Other own revenue	10,836	6,503	8,066	7,883	7,883	7,883	–	5,081	5,309	5,544
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>117,500</b>	<b>93,600</b>	<b>103,614</b>	<b>108,205</b>	<b>108,205</b>	<b>108,205</b>	<b>–</b>	<b>109,886</b>	<b>113,474</b>	<b>114,932</b>
Employee costs	22,753	28,349	35,016	43,156	43,156	43,156	–	51,529	53,820	57,260
Remuneration of councillors	3,048	3,653	4,283	4,112	4,112	4,112	–	5,190	5,501	5,831
Depreciation & asset impairment	285	3,950	4,179	2,478	2,478	2,478	–	–	–	–
Finance charges	486	390	483	460	460	460	–	208	220	233
Materials and bulk purchases	12,857	13,209	15,541	13,546	13,546	13,546	–	15,619	16,467	17,360
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	38,329	43,503	43,829	44,450	44,450	44,450	–	34,575	35,488	37,510
<b>Total Expenditure</b>	<b>77,758</b>	<b>93,054</b>	<b>103,331</b>	<b>108,202</b>	<b>108,202</b>	<b>108,202</b>	<b>–</b>	<b>107,121</b>	<b>111,496</b>	<b>118,195</b>
<b>Surplus/(Deficit)</b>	<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>–</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>–</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>
Transfers recognised - capital	23,675	68,817	83,566	45,277	45,277	45,277	–	68,046	57,159	36,381
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	3,500	–	–	–	–	–	–	–	–
Internally generated funds	–	5,300	3,118	1,550	1,550	1,550	–	2,700	–	–
<b>Total sources of capital funds</b>	<b>23,675</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>–</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>
<b>Financial position</b>										
Total current assets	26,024	25,893	21,113	35,311	35,311	35,311	–	32,672	29,043	30,259
Total non current assets	230,011	519,038	557,498	872,960	872,960	872,960	–	897,986	954,404	989,716
Total current liabilities	46,410	43,901	64,797	2,353	2,353	2,353	–	2,381	2,381	2,381
Total non current liabilities	6,373	12,457	19,868	30,257	30,257	30,257	–	30,257	30,257	30,257
Community wealth/Equity	203,252	488,574	493,947	875,662	875,662	875,662	–	898,020	950,809	987,336
<b>Cash flows</b>										
Net cash from (used) operating	57,719	28,361	54,135	46,876	46,876	46,876	–	63,115	48,558	32,050
Net cash from (used) investing	(57,158)	(24,695)	(64,551)	(45,277)	(45,277)	(45,277)	–	(70,746)	(57,449)	(36,381)
Net cash from (used) financing	2,105	(38)	2,600	–	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>2,943</b>	<b>6,571</b>	<b>(1,245)</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>2</b>	<b>(6,030)</b>	<b>(14,921)</b>	<b>(19,253)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	4,041	6,571	(1,245)	3,488	3,488	3,488	–	(4,143)	(13,034)	(17,365)
Application of cash and investments	33,379	34,718	54,778	(10,067)	(10,067)	(10,067)	–	(13,989)	(18,425)	(27,050)
<b>Balance - surplus (shortfall)</b>	<b>(29,338)</b>	<b>(28,147)</b>	<b>(56,023)</b>	<b>13,555</b>	<b>13,555</b>	<b>13,555</b>	<b>–</b>	<b>9,846</b>	<b>5,391</b>	<b>9,685</b>
<b>Asset management</b>										
Asset register summary (WDV)	221,776	518,368	556,957	872,960	872,960	872,960	897,986	897,986	954,404	989,716
Depreciation & asset impairment	285	3,950	4,179	2,478	2,478	2,478	–	–	–	–
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	6,296	6,817	4,410	10,066	10,066	10,066	11,826	11,826	12,447	13,161
<b>Free services</b>										
Cost of Free Basic Services provided	383	–	–	304	304	304	–	–	–	–
Revenue cost of free services provided	–	1,902	1,902	4,189	4,189	4,189	–	–	–	–
<b>Households below minimum service level</b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes on Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial Management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow, as well as the capital budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected in the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing in the Cash Flow Budget;
    - iii. Internally generated funds are financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years and envisaged budget year revenue collection. The amount is incorporated in the Net cash from investing in the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus.
5. Even though the council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs



**Table 7 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)**

FS195 Phumelela - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		53,254	64,476	71,532	72,360	72,360	72,360	75,303	77,081	76,583
Executive and council		1,631	1,620	760	—	—	—	2,615	2,757	2,906
Budget and treasury office		50,719	59,688	66,470	68,554	68,554	68,554	71,173	72,779	72,106
Corporate services		905	3,168	4,302	3,806	3,806	3,806	1,515	1,545	1,571
<i>Community and public safety</i>		258	261	360	370	370	370	229	243	258
Community and social services		171	151	160	170	170	170	163	173	184
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		87	110	200	200	200	200	66	70	74
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		335	16	18	1,279	1,279	1,279	1,058	1,050	1,090
Planning and development		12	16	18	1,279	1,279	1,279	1,058	1,050	1,090
Road transport		323	—	—	—	—	—	—	—	—
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		64,907	28,847	31,704	34,196	34,196	34,196	33,296	35,100	37,001
Electricity		18,006	9,859	7,159	7,868	7,868	7,868	13,801	14,548	15,335
Water		17,683	6,524	12,049	12,711	12,711	12,711	6,536	6,891	7,265
Waste water management		14,184	6,338	6,292	6,653	6,653	6,653	7,145	7,532	7,940
Waste management		15,035	6,126	6,205	6,964	6,964	6,964	5,814	6,129	6,461
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Standard</b>	<b>2</b>	<b>118,755</b>	<b>93,600</b>	<b>103,614</b>	<b>108,205</b>	<b>108,205</b>	<b>108,205</b>	<b>109,886</b>	<b>113,474</b>	<b>114,932</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		24,974	37,530	51,386	40,559	40,559	40,559	41,069	43,480	46,165
Executive and council		7,890	13,664	12,259	11,604	11,604	11,604	13,084	14,762	15,661
Budget and treasury office		13,253	17,288	32,620	21,609	21,609	21,609	19,611	19,858	21,084
Corporate services		3,832	6,578	6,507	7,346	7,346	7,346	8,374	8,860	9,420
<i>Community and public safety</i>		3,729	3,597	4,725	5,027	5,027	5,027	4,019	4,274	4,544
Community and social services		1,741	1,464	2,375	2,467	2,467	2,467	1,867	1,983	2,105
Sport and recreation		1,479	1,523	1,676	1,399	1,399	1,399	1,174	1,251	1,332
Public safety		406	510	563	1,131	1,131	1,131	978	1,041	1,107
Housing		—	—	—	—	—	—	—	—	—
Health		102	100	112	30	30	30	—	—	—
<i>Economic and environmental services</i>		6,878	9,737	4,117	15,327	15,327	15,327	17,705	17,998	19,083
Planning and development		286	1,028	1,117	11,327	11,327	11,327	12,105	12,095	12,861
Road transport		6,592	8,709	3,000	4,000	4,000	4,000	5,600	5,903	6,222
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		43,432	42,190	43,103	47,289	47,289	47,289	44,327	45,744	48,403
Electricity		13,217	17,898	17,451	17,427	17,427	17,427	16,498	17,391	18,331
Water		12,825	7,608	8,891	11,853	11,853	11,853	11,894	11,425	12,089
Waste water management		8,799	9,356	9,662	10,388	10,388	10,388	8,957	9,509	10,095
Waste management		8,591	7,328	7,100	7,621	7,621	7,621	6,979	7,419	7,887
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>79,013</b>	<b>93,054</b>	<b>103,331</b>	<b>108,202</b>	<b>108,202</b>	<b>108,202</b>	<b>107,121</b>	<b>111,496</b>	<b>118,195</b>
<b>Surplus/(Deficit) for the year</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>

Explanatory notes to Table 4 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of these functional areas which enables the National treasury to compile 'whole of government' reports.
2. Note the Total revenue in this table excludes capital revenues and therefore will not balance to the operating revenue which includes capital transfers shown in Table A4.
3. Note that as a general principle the revenues for the trading services should exceed their expenditures. The table highlights that this is not the case, because revenue is R33.2m while expenditure is 44.3m for the budget year. As already noted above, the tariffs of Phumelela local municipality are not cost reflective.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

**Table 8 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

FS195 Phumelela - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Council And Executive		1 631	1 620	760	-	-	-	2 615	2 757	2 906
Vote 2 - Financial And Administration Services		51 624	62 857	70 772	72 360	72 360	72 360	72 688	74 324	73 677
Vote 3 - Planning and Development		12	16	18	1 279	1 279	1 279	1 058	1 050	1 090
Vote 4 - Health		-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		171	150	160	170	170	170	163	173	184
Vote 6 - Public Safety		87	110	200	200	200	200	66	70	74
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		15 035	6 126	6 205	6 964	6 964	6 964	5 814	6 129	6 461
Vote 9 - Waste Water Management		14 184	6 338	6 292	6 653	6 653	6 653	7 145	7 532	7 940
Vote 10 - Road Transport		323	-	-	-	-	-	-	-	-
Vote 11 - Water		17 683	6 524	12 049	12 711	12 711	12 711	6 536	6 891	7 265
Vote 12 - Electricity		18 006	9 859	7 159	7 868	7 868	7 868	13 801	14 548	15 335
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>118 755</b>	<b>93 600</b>	<b>103 614</b>	<b>108 205</b>	<b>108 205</b>	<b>108 205</b>	<b>109 886</b>	<b>113 474</b>	<b>114 932</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Council And Executive		7 890	13 663	12 259	11 604	11 604	11 604	17 478	19 481	20 681
Vote 2 - Financial And Administration Services		17 085	23 867	39 127	28 955	28 955	28 955	24 617	25 049	26 602
Vote 3 - Planning and Development		286	1 028	1 115	11 327	11 327	11 327	11 079	11 045	11 743
Vote 4 - Health		102	100	112	30	30	30	-	-	-
Vote 5 - Community and Social Services		1 741	1 464	2 375	2 467	2 467	2 467	1 867	1 983	2 105
Vote 6 - Public Safety		406	510	563	1 131	1 131	1 131	978	1 041	1 107
Vote 7 - Sports and Recreation		1 479	1 523	1 676	1 399	1 399	1 399	1 174	1 251	1 332
Vote 8 - Waste Management		8 591	7 328	7 101	7 621	7 621	7 621	6 979	7 419	7 887
Vote 9 - Waste Water Management		8 799	9 356	9 662	10 388	10 388	10 388	8 957	9 509	10 095
Vote 10 - Road Transport		6 592	8 709	3 000	4 000	4 000	4 000	5 600	5 903	6 222
Vote 11 - Water		12 825	7 608	8 891	11 853	11 853	11 853	11 894	11 425	12 089
Vote 12 - Electricity		13 217	17 898	17 451	17 427	17 427	17 427	16 498	17 391	18 331
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>79 013</b>	<b>93 054</b>	<b>103 331</b>	<b>108 202</b>	<b>108 202</b>	<b>108 202</b>	<b>107 121</b>	<b>111 496</b>	<b>118 195</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2 765</b>	<b>1 978</b>	<b>(3 262)</b>

Explanatory notes to Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit per a particular vote.

**Table 9 (Table A4) – Budgeted Financial Performance (revenue and expenditure)**

FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)

S195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>											
Property rates	2	5,799	6,677	5,706	7,005	7,005	7,005	–	7,886	8,313	8,763
Property rates - penalties & collection charges		–	100	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	4,924	6,718	6,627	7,323	7,323	7,323	–	13,785	14,531	15,317
Service charges - water revenue	2	4,869	5,859	11,343	12,005	12,005	12,005	–	6,533	6,887	7,260
Service charges - sanitation revenue	2	5,369	5,573	5,480	5,650	5,650	5,650	–	7,145	7,532	7,940
Service charges - refuse revenue	2	5,098	5,282	5,310	5,964	5,964	5,964	–	5,814	6,129	6,461
Service charges - other		473	27	–	–	–	–	–	–	–	–
Rental of facilities and equipment		906	702	1,770	1,771	1,771	1,771	–	1,393	1,415	1,437
Interest earned - external investments		211	612	650	665	665	665	–	543	573	605
Interest earned - outstanding debtors		2,114	2,615	2,879	3,208	3,208	3,208	–	574	605	638
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		87	111	201	210	210	210	–	67	72	77
Licences and permits		13	40	43	24	24	24	–	23	25	27
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		79,920	56,249	60,433	61,710	61,710	61,710	–	63,099	64,200	63,042
Other revenue	2	7,716	3,035	3,173	2,670	2,670	2,670	–	3,024	3,192	3,365
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>117,500</b>	<b>93,600</b>	<b>103,614</b>	<b>108,205</b>	<b>108,205</b>	<b>108,205</b>	<b>–</b>	<b>109,886</b>	<b>113,474</b>	<b>114,932</b>
<b>Expenditure By Type</b>											
Employee related costs	2	22,753	28,349	35,016	43,156	43,156	43,156	–	51,529	53,820	57,260
Remuneration of councillors		3,048	3,653	4,283	4,112	4,112	4,112	–	5,190	5,501	5,831
Debt impairment	3	11,720	6,046	5,266	11,455	11,455	11,455	–	–	–	–
Depreciation & asset impairment	2	285	3,950	4,179	2,478	2,478	2,478	–	–	–	–
Finance charges		486	390	483	460	460	460	–	208	220	233
Bulk purchases	2	12,857	13,209	15,541	13,546	13,546	13,546	–	15,619	16,467	17,360
Other materials	8	–	–	–	–	–	–	–	–	–	–
Contracted services		2,077	1,864	1,971	2,350	2,350	2,350	–	4,200	4,430	4,671
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	24,532	35,592	36,592	30,645	30,645	30,645	–	30,375	31,058	32,839
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>77,758</b>	<b>93,054</b>	<b>103,331</b>	<b>108,202</b>	<b>108,202</b>	<b>108,202</b>	<b>–</b>	<b>107,121</b>	<b>111,496</b>	<b>118,195</b>
<b>Surplus/(Deficit)</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Transfers recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		<b>39,741</b>	<b>546</b>	<b>283</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>2,765</b>	<b>1,978</b>	<b>(3,262)</b>

**Explanatory notes to Table 6 (Table A4)**

1. Total revenue is envisaged to be R109.8m, escalates to R113.4m in 2015/16 and 114.9m in 2016/17.
2. Revenue to be generated from property rates is R7.8m in the 2014/15 financial year and increases to R8.3m by 2015/16 and has the lowest cost injected compared to all other charges of the Phumelela Local Municipality and therefore remains a major funding source for the municipality.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing steadily over the MTREF.
4. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in the future years, yet saving employment.

**Table 10 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

FS195 Phumelela - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure, to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial And Administration Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Water		-	-	-	-	-	-	-	-	-	-
Vote 12 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure, to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		-	3,500	1,985	2,264	2,264	2,264	-	-	-	-
Vote 2 - Financial And Administration Services		808	11,845	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	1,040	1,031	1,069
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	850	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		758	-	4,042	4,213	4,213	4,213	-	3,119	3,534	3,207
Vote 8 - Waste Management		-	-	1,500	50	50	50	-	-	-	-
Vote 9 - Waste Water Management		6,593	22,860	20,275	5,507	5,507	5,507	-	9,250	-	-
Vote 10 - Road Transport		7,086	7,622	3,907	4,500	4,500	4,500	-	18,972	18,033	5,936
Vote 11 - Water		6,157	31,790	49,625	30,293	30,293	30,293	-	30,365	20,560	11,169
Vote 12 - Electricity		2,273	-	4,500	-	-	-	-	8,000	14,000	15,000
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>23,675</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>-</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>
<b>Total Capital Expenditure - Vote</b>		<b>23,675</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>-</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	15,345	1,985	2,264	2,264	2,264	-	-	-	-
Executive and council		-	3,500	1,985	2,264	2,264	2,264	-	-	-	-
Budget and treasury office		-	11,845	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	4,892	4,213	4,213	4,213	-	3,119	3,534	3,207
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	4,042	4,213	4,213	4,213	-	3,119	3,534	3,207
Public safety		-	-	850	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	7,622	3,907	4,500	4,500	4,500	-	20,011	19,064	7,005
Planning and development		-	-	-	-	-	-	-	1,040	1,031	1,069
Road transport		-	7,622	3,907	4,500	4,500	4,500	-	18,972	18,033	5,936
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	54,650	75,900	35,850	35,850	35,850	-	47,615	34,560	26,169
Electricity		-	-	4,500	-	-	-	-	8,000	14,000	15,000
Water		-	31,790	49,625	30,293	30,293	30,293	-	30,365	20,560	11,169
Waste water management		-	22,860	20,275	5,507	5,507	5,507	-	9,250	-	-
Waste management		-	-	1,500	50	50	50	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>-</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>-</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>
<b>Funded by:</b>											
National Government		12,630	32,940	26,624	45,277	45,277	45,277	-	68,046	57,159	36,381
Provincial Government		11,045	33,877	56,942	-	-	-	-	-	-	-
District Municipality		-	2,000	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>23,675</b>	<b>68,817</b>	<b>83,566</b>	<b>45,277</b>	<b>45,277</b>	<b>45,277</b>	<b>-</b>	<b>68,046</b>	<b>57,159</b>	<b>36,381</b>
<b>Public contributions &amp; donations</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>		<b>-</b>	<b>5,300</b>	<b>3,118</b>	<b>1,550</b>	<b>1,550</b>	<b>1,550</b>	<b>-</b>	<b>2,700</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>23,675</b>	<b>77,617</b>	<b>86,684</b>	<b>46,827</b>	<b>46,827</b>	<b>46,827</b>	<b>-</b>	<b>70,746</b>	<b>57,159</b>	<b>36,381</b>

Explanatory notes to Table 7 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R70.7m has been allocated for the 2014/15 financial year, R57.4m for the 2015/16 financial year and flattens out to R36.4m in the 2016/17 financial year.
3. The capital programme is funded from capital transfers from national and provincial government and internally generated funds from current year and envisaged surpluses.

**Table 11 (Table A6) – Budgeted Financial Position**

FS195 Phumelela - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		178	1,418	20	1,600	1,600	1,600		(6,030)	(14,921)	(19,253)
Call investment deposits	1	3,155	5,153	688	1,888	1,888	1,888	–	1,888	1,888	1,888
Consumer debtors	1	4,518	427	1,190	11,590	11,590	11,590	–	16,582	21,844	27,390
Other debtors		11,417	5,903	6,415	–	–	–	–	–	–	–
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	6,757	12,992	12,801	20,233	20,233	20,233	–	20,233	20,233	20,233
<b>Total current assets</b>		<b>26,024</b>	<b>25,893</b>	<b>21,113</b>	<b>35,311</b>	<b>35,311</b>	<b>35,311</b>	<b>–</b>	<b>32,672</b>	<b>29,043</b>	<b>30,259</b>
<b>Non current assets</b>											
Long-term receivables		173	–	–	–	–	–	–	–	–	–
Investments		708	–	–	–	–	–	–	–	–	–
Investment property		7,547	20,532	19,975	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	214,229	497,733	536,935	872,960	872,960	872,960	–	897,986	954,404	989,716
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		–	104	48	–	–	–	–	–	–	–
Other non-current assets		7,354	670	541	–	–	–	–	–	–	–
<b>Total non current assets</b>		<b>230,011</b>	<b>519,038</b>	<b>557,498</b>	<b>872,960</b>	<b>872,960</b>	<b>872,960</b>	<b>–</b>	<b>897,986</b>	<b>954,404</b>	<b>989,716</b>
<b>TOTAL ASSETS</b>		<b>256,035</b>	<b>544,931</b>	<b>578,612</b>	<b>908,272</b>	<b>908,272</b>	<b>908,272</b>	<b>–</b>	<b>930,658</b>	<b>983,447</b>	<b>1,019,974</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	–	1,953	–	–	–	–	–	–	–
Borrowing	4	490	586	1,833	1,833	1,833	1,833	–	1,833	1,833	1,833
Consumer deposits		234	237	232	519	519	519	–	548	548	548
Trade and other payables	4	45,686	43,078	60,778	–	–	–	–	–	–	–
Provisions		–	–	–	–	–	–	–	–	–	–
<b>Total current liabilities</b>		<b>46,410</b>	<b>43,901</b>	<b>64,797</b>	<b>2,353</b>	<b>2,353</b>	<b>2,353</b>	<b>–</b>	<b>2,381</b>	<b>2,381</b>	<b>2,381</b>
<b>Non current liabilities</b>											
Borrowing		3,067	2,544	4,556	9,962	9,962	9,962	–	9,962	9,962	9,962
Provisions		3,306	9,913	15,312	20,295	20,295	20,295	–	20,295	20,295	20,295
<b>Total non current liabilities</b>		<b>6,373</b>	<b>12,457</b>	<b>19,868</b>	<b>30,257</b>	<b>30,257</b>	<b>30,257</b>	<b>–</b>	<b>30,257</b>	<b>30,257</b>	<b>30,257</b>
<b>TOTAL LIABILITIES</b>		<b>52,784</b>	<b>56,357</b>	<b>84,665</b>	<b>32,609</b>	<b>32,609</b>	<b>32,609</b>	<b>–</b>	<b>32,638</b>	<b>32,638</b>	<b>32,638</b>
<b>NET ASSETS</b>	5	<b>203,252</b>	<b>488,574</b>	<b>493,947</b>	<b>875,662</b>	<b>875,662</b>	<b>875,662</b>	<b>–</b>	<b>898,020</b>	<b>950,809</b>	<b>987,336</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		203,252	488,574	493,947	875,662	875,662	875,662	–	898,020	950,809	987,336
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>203,252</b>	<b>488,574</b>	<b>493,947</b>	<b>875,662</b>	<b>875,662</b>	<b>875,662</b>	<b>–</b>	<b>898,020</b>	<b>950,809</b>	<b>987,336</b>

Explanatory notes to table 13 (Table A6) – Budget Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates requirements to be met from cash, and appears first.
3. Table A6 provides a detailed analysis of the major components of a number of items, including:
  - a. Call investments deposits;
  - b. Consumer debtors;
  - c. Property, plant and equipment;
  - d. Trade and other payables;
  - e. Non-current Provisions;
  - f. Changes in net assets; and
  - g. Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 12 (Table A7) – Budgeted Cash Flow Statement**

Explanatory notes to Table 14 (Table A7) Budgeted Cash Flow Statement

FS195 Phumelela - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		28 551	48 524	33 555	39 805	39 805	39 805		39 014	41 080	50 647
Government - operating	1	48 861	23 189	59 547	61 710	61 710	61 710		63 099	64 200	63 042
Government - capital	1	55 058	53 117	59 449	45 277	45 277	45 277		67 006	53 596	35 312
Interest		620	896	672	632	632	632		1 117	1 178	1 243
Dividends		-	-	-	-	-	-		-	-	-
<b>Payments</b>											
Suppliers and employees		(75 004)	(96 178)	(97 061)	(100 298)	(100 298)	(100 298)		(106 913)	(111 276)	(117 962)
Finance charges		(367)	(1 187)	(2 027)	(250)	(250)	(250)		(208)	(220)	(233)
Transfers and Grants	1	-	-	-	-	-	-		-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		57 719	28 361	54 135	46 876	46 876	46 876	-	63 115	48 558	32 050
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	63	287	-	-	-		-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-		-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-		-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-		-	-	-
<b>Payments</b>											
Capital assets		(57 158)	(24 757)	(64 838)	(45 277)	(45 277)	(45 277)		(70 746)	(57 449)	(36 381)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		(57 158)	(24 695)	(64 551)	(45 277)	(45 277)	(45 277)	-	(70 746)	(57 449)	(36 381)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-		-	-	-
Borrowing long term/refinancing		2 100	-	-	-	-	-		-	-	-
Increase (decrease) in consumer deposits		5	5	-	-	-	-		-	-	-
<b>Payments</b>											
Repayment of borrowing		-	(43)	2 600	-	-	-		-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		2 105	(38)	2 600	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		2 666	3 628	(7 816)	1 599	1 599	1 599	-	(7 631)	(8 891)	(4 331)
Cash/cash equivalents at the year begin:	2	277	2 943	6 571	2	2	2	2	1 600	(6 030)	(14 921)
Cash/cash equivalents at the year end:	2	2 943	6 571	(1 245)	1 600	1 600	1 600	2	(6 030)	(14 921)	(19 253)

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

**Table 13 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

FS195 Phumelela - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	2 943	6 571	(1 245)	1 600	1 600	1 600	2	(6 030)	(14 921)	(19 253)
Other current investments > 90 days		390	–	–	1 888	1 888	1 888	(2)	1 888	1 888	1 888
Non current assets - Investments	1	708	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>4 041</b>	<b>6 571</b>	<b>(1 245)</b>	<b>3 488</b>	<b>3 488</b>	<b>3 488</b>	<b>–</b>	<b>(4 143)</b>	<b>(13 034)</b>	<b>(17 365)</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		4 852	1 834	907	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	28 527	32 884	53 871	(10 067)	(10 067)	(10 067)	–	(13 989)	(18 425)	(27 050)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>33 379</b>	<b>34 718</b>	<b>54 778</b>	<b>(10 067)</b>	<b>(10 067)</b>	<b>(10 067)</b>	<b>–</b>	<b>(13 989)</b>	<b>(18 425)</b>	<b>(27 050)</b>
<b>Surplus(shortfall)</b>		<b>(29 338)</b>	<b>(28 147)</b>	<b>(56 023)</b>	<b>13 555</b>	<b>13 555</b>	<b>13 555</b>	<b>–</b>	<b>9 846</b>	<b>5 391</b>	<b>9 685</b>

Explanatory notes to Table 15 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus indirectly indicates that the annual budget is appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

**Table 14 (Table A9) – Asset Management**

FS195 Phumelela - Table A9 Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	23,675	77,617	86,684	46,827	46,827	46,827	70,746	57,159	36,381
Infrastructure - Road transport		7,086	7,622	3,907	4,500	4,500	4,500	18,972	18,033	5,936
Infrastructure - Electricity		2,273	–	4,500	–	–	–	8,000	14,000	15,000
Infrastructure - Water		6,157	31,790	49,625	30,293	30,293	30,293	30,365	20,560	11,169
Infrastructure - Sanitation		6,593	22,860	20,275	5,507	5,507	5,507	9,250	–	–
Infrastructure - Other		–	–	1,500	1,314	1,314	1,314	1,040	1,031	1,069
Infrastructure		22,109	62,272	79,807	41,614	41,614	41,614	67,627	53,624	33,174
Community		1,566	11,845	4,042	4,213	4,213	4,213	3,119	3,534	3,207
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	3,500	2,835	1,000	1,000	1,000	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<b>Total Renewal of Existing Assets</b>	2	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>	4	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		7,086	7,622	3,907	4,500	4,500	4,500	18,972	18,033	5,936
Infrastructure - Electricity		2,273	–	4,500	–	–	–	8,000	14,000	15,000
Infrastructure - Water		6,157	31,790	49,625	30,293	30,293	30,293	30,365	20,560	11,169
Infrastructure - Sanitation		6,593	22,860	20,275	5,507	5,507	5,507	9,250	–	–
Infrastructure - Other		–	–	1,500	1,314	1,314	1,314	1,040	1,031	1,069
Infrastructure		22,109	62,272	79,807	41,614	41,614	41,614	67,627	53,624	33,174
Community		1,566	11,845	4,042	4,213	4,213	4,213	3,119	3,534	3,207
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		–	3,500	2,835	1,000	1,000	1,000	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	23,675	77,617	86,684	46,827	46,827	46,827	70,746	57,159	36,381
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport		41,067	180,601	190,320	237,737	237,737	237,737	256,709	272,332	278,268
Infrastructure - Electricity		8,910	4,790	9,427	22,367	22,367	22,367	30,367	44,367	59,367
Infrastructure - Water		63,666	173,477	205,019	348,697	348,697	348,697	379,062	399,622	410,791
Infrastructure - Sanitation		70,387	76,009	87,490	185,807	185,807	185,807	195,057	195,057	195,057
Infrastructure - Other		–	62,856	44,680	44,680	44,680	44,680	–	–	–
Infrastructure		184,030	497,733	536,935	839,288	839,288	839,288	861,194	911,378	943,483
Community		–	–	–	8,255	8,255	8,255	11,375	14,909	18,116
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		7,547	20,532	19,975	–	–	–	–	–	–
Other assets		30,199	–	–	25,417	25,417	25,417	25,417	28,117	28,117
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	104	48	–	–	–	–	–	–
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	221,776	518,368	556,957	872,960	872,960	872,960	897,986	954,404	989,716
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>		285	3,950	4,179	2,478	2,478	2,478	–	–	–
<b>Repairs and Maintenance by Asset Class</b>	3	6,296	6,817	4,410	10,066	10,066	10,066	11,826	12,447	13,161
Infrastructure - Road transport		1,347	1,672	–	4,500	4,500	4,500	5,600	5,903	6,222
Infrastructure - Electricity		1,912	1,200	–	1,400	1,400	1,400	1,113	1,174	1,238
Infrastructure - Water		1,365	883	2,700	1,000	1,000	1,000	1,780	1,877	1,979
Infrastructure - Sanitation		217	655	–	1,000	1,000	1,000	1,303	1,374	1,449
Infrastructure - Other		–	300	–	360	360	360	330	349	369
Infrastructure		4,841	4,710	2,700	8,260	8,260	8,260	10,126	10,677	11,257
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	1,455	2,107	1,710	1,806	1,806	1,806	1,700	1,770	1,904
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		6,581	10,767	8,589	12,544	12,544	12,544	11,826	12,447	13,161
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>R&amp;M as a % of PPE</b>		2.9%	1.4%	0.8%	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
<b>Renewal and R&amp;M as a % of PPE</b>		3.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%



Explanatory notes to Table 16 (Table A9) – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be at least 10% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The reason for this is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

**Table 15 (Table A10) – Basic Service Delivery Measurement**

FS195 Phumelela - Table A10 Basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		3	-	36 825	36 825	36 825	36 825	3 000	3 000	3 000
Sanitation (free minimum level service)		-	-	-	-	-	-	3 000	3 000	3 000
Electricity /other energy (50kwh per household per month)		2	-	1 498	1 498	1 498	1 498	3 000	3 000	3 000
Refuse (removed at least once a week)		-	-	-	-	-	-	3 000	3 000	3 000
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		189	-	-	122	122	122	1 594	1 680	1 771
Sanitation (free sanitation service)		-	-	-	45	45	45	1 800	1 800	1 800
Electricity /other energy (50kwh per household per month)		194	-	-	111	111	111	2 232	2 394	2 574
Refuse (removed once a week)		-	-	-	27	27	27	1 800	1 800	1 800
<b>Total cost of FBS provided (minimum social package)</b>		383	-	-	304	304	304	7 426	7 674	7 945
<b>Highest level of free service provided</b>										
Property rates (R value threshold)		45 000	-	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Water (kilolitres per household per month)		6	-	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)		50	-	50	50	50	50	50	50	50
Refuse (average litres per week)		-	-	-	-	-	-	-	-	-
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		-	1 902	1 902	989	989	989	1 063	1 121	1 181
Property rates (other exemptions, reductions and rebates)		-	-	-	-	-	-	-	-	-
Water		-	-	-	1 500	1 500	1 500	1 594	1 680	1 771
Sanitation		-	-	-	1 000	1 000	1 000	1 800	1 800	1 800
Electricity /other energy		-	-	-	200	200	200	2 232	2 394	2 574
Refuse		-	-	-	500	500	500	1 800	1 800	1 800
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of free services provided (total social package)</b>		-	1 902	1 902	4 189	4 189	4 189	8 489	8 795	9 126

Explanatory notes to Table 17 (Table A10) – Basic Service Delivery Measurement

1. The budget provides for 3000 households to be registered as indigent in 2014/15, and therefore entitled to receiving Free Basic Services. The number is set to increase to 5000 households given the fact that the indigent register is updated and therefore becomes a reliable source.
2. The cost of the Free Basic Services will be covered by the municipality's equitable share allocation from the national government.
3. This revenue foregone needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 regulation 4 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Senior Managers, Budget Manager, IDP Manager, PMU Manager of the municipality meeting under the chairpersonship of the Council Committee for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Planning

In terms of section 21 of MFMA the Mayor is required to table in council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

Key IDP and Budget time Schedule of Events				
IDP PHASES	DELIVERABLES AND PROCESS MANAGEMENT	RESPONSIBILITY	OUTPUT	DATES
PREPARATION PLAN	Development of the IDP and Budget Process Plan	IDP Manager and Budget and Treasury Manager	Approved IDP and Budget Process Plan	August 2013
	Draft Process Plan to IDP and Budget Steering Committee	IDP Manager and Budget and Treasury Manager		23 August 2013
	Tabling of the IDP and Budget Process Plan to Council	Municipal Manager		30 August 2013
	Advertising of the IDP and Budget Process Plan	IDP Manager and Budget and Treasury Manager		03 September 2013

<b>ANALYSIS PHASE</b>	Compilation of existing information, community stakeholder level analysis on environment, economic, institutional, spatial, infrastructure and cross cutting issues.	IDP Manager	Determine and assess the current level of development and what are emerging challenges, opportunities and priority issues.	01-05 October 2013
	Committees and consultation forum for the budget process	Chairperson: Standing Committee on Finance and IDP		01 November 2013
	Briefing session with the standing committee on Finance and IDP committee by the Municipal Manager	Municipal Manager and CFO		08 November 2013
	One day briefing session with Senior Management Team, EXCO and Councillors	Municipal Manager		22 November 2013
<b>STRATEGIES PHASE</b>	Compile ward based strategic guidelines on SDF, WSDP, CPI, Housing Sector Plan, LED, Infrastructure development, Institutional Capacity and Environmental issues, define resources frames (financial strategies), deciding on alternatives for ward based specific issues, identify and/or review projects.	IDP Manager	Develop and/or refine objectives for priority issues.	November 2013
	IDP steering committee to review emerging issues/changes and to prioritize IDP and Budget items	Management and Chairperson IDP and Finance Standing Committee	Determine programmes to achieve the municipal strategic intent.	23 January 2014
	Management to submit budget inputs on capital projects	Municipal Manager	Develop organisational score card.	19 December 2013
	Refining municipal strategies, objectives, KPA's, KPI's and targets	Management Team		01 February 2014
	Initiate public participation process in line with MTREF	Office of the Speaker		07 February 2014
	EXCO Lekgotla to confirm IDP, SDBIP, and Budget priorities	Municipal Manager		21 February 2014
	EXCO approves the municipal objective, strategies, KPI's and targets	Municipal Manager		28 February 2014
	Review tariffs and budget policies	CFO		21 February 2014
<b>PROJECT PHASE</b>	Prioritisation of projects per ward on MTREF basis and setting of key performance indicators for each project in consultation with the community.	IDP Manager and Performance Manager	Identify projects and set output and targets	Feb 2014
	Set and agree on IDP priority issues/projects	Municipal Manager and Management Team		26 February 2014
	Review and align National and Provincial allocations for inclusion in the Draft IDP and MTREF budget.	Municipal Manager and CFO	Agree on the spatial location of the projects	25 February 2014
	Draft MTREF Budget developed	CFO	Develop draft budget	25 February 2014

	Directorates develop draft 2014/15 SDBIP and present to standing committee IDP and Budget.	PMS Manager		06 March 2014
	One year multi-year scorecard revised and presented to EXCO	Municipal Manager		13 March 2014
<b>INTEGRATION PHASE</b>	Institutional plan refined to deliver on the municipal strategy	Manager Corporate Services	Integrate an align with sector plans	19 March 2014
	Directorates identifying programmes and projects with external stakeholders	All Managers	Incorporate programmes and projects into IDP	25 March 2014
	Integration of sector plans and institutional programmes.	IDP Manager		25 March 2014
	Horizontal and vertical alignment with District, Province and other stakeholders	IDP Manager		26 March 2014
	Financial plan and Capital investment plan developed	CFO		26 March 2014
<b>APPROVAL PHASE</b>	Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions for Phumelela Local Municipality	Municipal Manager	Approved IDP, Budget and SDBIP	28 March 2014
	Advertise the Draft MTREF Budget and IDP for public inputs and comments	Municipal Manager		03 April 2014
	Submission of Draft IDP and MTREF Budget to MEC's of Treasury and Cooperative Governance and traditional Affairs and National.	IDP Manager and Budget and Treasury Manager		03 April 2014
	Public Participation process including hearings on Draft IDP and Budget.	IDP Manager and Budget and Treasury Manager		17 April 2014
	IDP and Budget Lekgotla (Strategic Planning Session)	IDP Manager		07-09 May 2014
	Special council meeting to consider submissions, representation and recommendations from hearings. Mayor to be provided with an opportunity to respond to submissions during consultations and table amendments to council consideration.	Council		20 May 2014
	Mayor with the support of EXCO to recommend approval by council after considering inputs from council and other sectors.	Mayor		27 May 2014
	Council meetings to approve the MTREF Budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before the start of the budget year.	Council		28 June 2014
	Publication of the approved IDP and Budget for 2014/15	IDP		04 June 2014
	Compilation and submission of Draft 2014/2015 SDBIP and annual	Municipal Manager	Approved SDBIP and	June 2014

	performance agreements by the Municipal Manager to the Mayor.		Annual Performance Agreements	
	Mayor approves the 2014/2015 SDBIP and annual performance agreements of the Municipal Manager and Senior Managers within 28 days after the approval of IDP and Budget. Mayor ensures that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP.	Mayor		17 June 2014
	The Mayor submits the approved SDBIP and Performance Agreements to council, MEC for Cooperative Governance, Traditional affairs and Human Settlements and makes public within 14 days after approval	Council, Mayor, Municipal Manager and IDP Manager		28 June 2014
<b>MONITORING AND EVALUATION PHASE</b>	Quarterly SDBIP performance progress report for the first quarter of 2013/2014 financial year, to Internal Audit, Auditor Committee, Management team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP performance reports	October 2013
	Managers Quarterly assessment for the first quarter of 2013/2014	Municipal Manager	Service delivery performance assessed	October 2013
	Quarterly Audit Committee meeting for the first quarter of 2013/2014 for evaluation of section 57 managers final assessments	Internal Audit		October 2013
	Quarterly SDBIP performance progress report for the second quarter of 2013/2014 financial year, to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP Performance Reports	January 2014
	Managers Quarterly assessment for the second quarter of 2013/2014	Municipal Manager	Service delivery performance assessed	January 2014
	Quarterly Audit Committee meeting for the second quarter of 2013/2014 for evaluation of section 57 managers final assessments	Internal Audit		January 2014
	Mid-term budget and performance assessment	PMS Manager	Mid-term finance and service delivery performance report	24 January 2014
	Review of the current budget and preparation of the adjustment budget for approval by council	CFO & Manager Budget and Treasury	Approved adjustment budget	24 January 2014
	Publicise the adjustment budget on the website and local newspapers	CFO & Budget and Treasury Manager		25 January 2014
	Quarterly SDBIP performance progress report for the third quarter of 2013/2014	PMS Manager	Approved SDBIP	April 2014

	financial year to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.		performance reports	
	Managers quarterly assessment for the third quarter of the 2013/2014 financial year	Municipal Manager	Service delivery performance assessed	April 2014
	Quarterly Audit Committee meeting for the third quarter of 2013/2014 for evaluation of section 57 managers' final assessment.	Internal Audit		April 2014
	Quarterly SDBIP Performance progress report for the fourth quarter of the 2012/2013 financial year to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP performance reports	July 2013
	Managers quarterly assessment for the fourth quarter of 2012/2013	Municipal Manager	Service delivery performance assessed	July 2013
	Quarterly Audit Committee meeting for the fourth quarter of 2012/2013 for evaluation of section 57 managers final assessments	Internal Audit		July 2013
	Auditor General audit of performance measures	Auditor General	Audit Service Delivery Performance	September 2013
	Compile Annual report for 2011/2012 and forward it to AG	PMS Manager	Compile annual report	September 2013
	Annual report submitted to EXCO and standing committee governance	Mayor and Municipal Manager	Oversight report approved	November 2013
	Mayor tables the annual report for 2011/2012 of Phumelela Local Municipality to council	Mayor		23 January 2014
	Mayor Tables an adjustment budget for 2013/2014 to council	Mayor		23 January 2014
	Advertise Annual Report on the municipal website and local newspapers.	PMS Manager		23 January 2014
	Make public the annual report and invite community inputs into report.	PMS Manager		04 February 2014
	Submit the annual report to the Auditor General, MEC's of Cooperative Governance and traditional affairs and Treasury.	PMS Manager		04 February 2014
	Council to consider and adopt an oversight report, due by 31 March 2014	PMS Manager		28 March 2014
	Publicise the Annual Oversight Report within seven days of adoption	PMS Manager		April 2014
	Within seven days of adoption of Oversight Report submit to the Provincial Legislature/MEC Local Government the annual report of Phumelela Local Municipality and the oversight report on	PMS Manager		April 2014

	those annual reports.			
<b>PREPARATION PHASE FOR THE 2013/14 MTREF PERIOD</b>	Annual review organisational KPI's	PMS Manager	Develop and/or review performance measures	June 2014
	Review annual organisational performance targets	PMS Manager		June 2014
	Community input into organisation KPI's and targets	PMS Manager		June 2014

There were minor deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### **2.1.2 IDP, Service Delivery and Budget Implementation Plan**

This is the third review of the IDP as adopted by council in May 2011. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August 2013.

The PLM's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following Key IDP Processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF and the Mid-year review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the Mid-year and third quarter performance against the 2013/2014 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2014/2015 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of this MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- The approved 2013/2014 budget and performance against the SDBIP



- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The draft 2014/2015 MTREF as tabled before Council on 28 March 2014 for community consultation has been published on the municipality's website, and hard copies were made available at municipal offices and other community centres. In addition budget road shows were held in different municipal clusters. Inputs were also collected via e-mails.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/2015 MTREF. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The PLM is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Pensioners cannot afford the tariff increases due to low annual pension increases

***The following are projects that have been added to the budget as they were raised by the community during the budget roadshows.***

- Construction of the Oosthuysen road in Warden
- Construction of a bridge in Memel
- Construction of a foot bridge in Vrede

#### **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative of South Africa (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2014/2015 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 16 – IDP Strategic Objectives**

<b>2014/15 Financial Year</b>
1. Provision of quality basic services and infrastructure 2. Economic growth and development that leads to sustainable job creation 3.1 Fight poverty and build clean, healthy, safe and sustainable communities 3.2 Integrated Social Services for empowered and sustainable communities 4. Foster participatory democracy and Batho-Pele principles through a caring, accessible and accountable service 5.1 Promote sound governance 5.2 Ensure financial sustainability 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM to align its budget priorities with that of national and provincial government. All

spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide planning services (Town Planning); and
  - Maintaining the infrastructure of the PLM.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the PLM;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective PLM cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
4. Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
6. Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
7. Ensure financial sustainability through:
  - Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
8. Optimal institutional transformation to ensure capacity to achieve set objectives
  - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM undertakes an extensive planning and developmental strategy which primarily focuses on a longer term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the PLM so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fifth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the PLM;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 17 (Table SA4) – Reconciliation between the IDP strategic objectives and the budget revenue**

FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)													
Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
100% Households in formal settlement have access to basic level of water	Proper water distribution and management			17 683	28 773	12 049	12 711	12 711	12 711	6 533	6 887	7 260	
100% Households in formal settlement have access to basic level of sanitation	Proper sewerage and sanitation management			14 184	–	6 292	6 653	6 653	6 653	7 145	7 532	7 940	
To ensure that identified internal roads in the Phumelela municipal area are maintained and upgraded to facilitate economic & social activity required for the sustainable development of municipality; considering the capacity limitations facing the municipality	To maintain and upgrade internal roads in order to facility economic and social activity			323	–	1 334	–	–	–	–	–	–	
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	To create employment opportunities in local and rural areas			–	–	–	–	–	–	–	–	–	
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To ensure financial viability in terms of budget and treasury & assessment rates			50 719	60 741	65 136	68 554	68 554	68 554	70 984	72 513	71 805	
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of Corporate services, Property services and Property services: Commonage			905	2 466	4 302	3 806	3 806	3 806	1 393	1 415	1 437	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager & town planning			1 643	1 620	778	1 279	1 279	1 279	4 002	4 224	4 454	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management			15 035	–	6 205	6 964	6 964	6 964	5 814	6 129	6 461	
To ensure good that 100% of households in the Phumelela municipal area have access to electricity	To ensure proper electricity distribution			18 006	–	7 159	7 868	7 868	7 868	13 785	14 531	15 317	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	To ensure proper management of cemetery and parks			171	–	159	160	160	160	162	171	181	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities			1	–	1	10	10	10	1	2	3	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control			87	–	200	200	200	200	66	70	74	
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting			–	–	–	–	–	–	–	–	–	
No strategic Objective in IDP	Health			–	–	–	–	–	–	–	–	–	
				–	–	–	–	–	–	–	–	–	
				–	–	–	–	–	–	–	–	–	
				–	–	–	–	–	–	–	–	–	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	118 755	93 600	103 614	108 205	108 205	108 205	109 886	113 474	114 932

**Table 18 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

G193 Phumelela - Supporting Table SA3 Reconciliation of IDP Strategic Objectives and Budget (Operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
100% Households in formal settlement have access to basic level of water	Proper water distribution and management					8 891	11 853	11 853	11 853	11 894	11 425	12 089	
100% Households in formal settlement have access to basic level of sanitation	Proper sewerage and sanitation management					9 661	10 388	10 388	10 388	8 957	9 509	10 095	
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social					14 193	4 000	4 000	4 000	5 600	5 903	6 222	
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas					50	–	–	–	–	–	–	
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates					21 426	21 590	21 590	21 590	12 910	13 036	13 864	
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of					6 507	7 346	7 346	7 346	8 374	8 860	9 420	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &					13 274	22 950	22 950	22 950	32 695	34 620	36 745	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management					7 101	7 621	7 621	7 621	6 979	7 419	7 887	
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution					17 452	17 427	17 427	17 427	16 498	17 391	18 331	
To ensure effective management of grave yards and cemeteries in the	To ensure proper management of cemetery and parks					2 793	1 055	1 055	1 055	1 337	1 417	1 501	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities					1 258	2 811	2 811	2 811	530	566	604	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control					563	1 131	1 131	1 131	978	1 041	1 107	
No strategic Objective in IDP	Health					112	30	30	30	–	–	–	
Service delivery	To deliver affordable and acceptable service.					–	–	–	–	–	–	–	
Good governance	To achieve compliance with relevant Acts.					–	–	–	–	–	–	–	
Municipal planning	To successfully implement the IDP.					50	–	–	–	–	–	–	
Capacity building	To provide the necessary personnel.					–	–	–	–	–	–	–	
Financial viability	To achieve financial sustainability.					–	–	–	–	–	–	–	
Allocations to other priorities													
Total Expenditure				1	–	–	103 331	108 202	108 202	108 202	106 751	111 186	117 865

**Table 19 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure**

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

PS 195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
100% Households in formal settlement have access to basic level of water	Proper water distribution and management	A		6,157	31,790	49,625	30,293	30,293	30,293	30,365	20,560	11,169	
100% Households in formal settlement have access to basic level of sanitation	Proper sewerage and sanitation management	B		6,593	23,060	20,275	5,507	5,507	5,507	9,250	–	–	
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social	C		7,086	7,622	3,907	4,500	4,500	4,500	18,972	18,033	5,936	
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas	D		–	–	–	–	–	–	–	–	–	
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates	E		–	–	–	–	–	–	–	–	–	
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of	F		–	–	–	–	–	–	–	–	–	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &	G		–	–	250	1,000	1,000	1,000	1,040	1,031	1,069	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management	H		–	–	1,500	50	50	50	–	–	–	
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution	I		2,273	–	4,500	–	–	–	8,000	14,000	15,000	
To ensure effective management of graveyards and cemeteries in the	To ensure proper management of cemetery and parks	J		–	–	–	–	–	–	–	–	–	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities	K		758	11,645	4,042	4,213	4,213	4,213	3,119	3,534	3,207	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control	L		–	–	150	–	–	–	–	–	–	
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting	M		808	–	700	–	–	–	–	–	–	
No strategic Objective in IDP	Health	N		–	–	–	–	–	–	–	–	–	
Other	PMU, General, Loans	O		–	3,500	1,735	1,264	1,264	1,264	–	–	–	
		P								–	–	–	
Allocations to other priorities				3									
Total Capital Expenditure				1	23,675	77,617	86,684	46,827	46,827	46,827	70,746	57,159	36,381

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



The following table sets out the municipalities main performance objectives and benchmarks for the 2014/2015 MTREF.

**Table 20 (Table SA8) – Performance indicators and benchmarks**

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	0.5%	-2.0%	0.4%	0.4%	0.4%	0.0%	0.2%	0.2%	0.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.3%	1.2%	-4.9%	1.0%	1.0%	1.0%	0.0%	0.4%	0.4%	0.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.6	0.6	0.3	0.5	4.9	4.9	–	4.5	4.0	4.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.6	0.6	0.3	0.5	4.9	4.9	–	4.5	4.0	4.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.1	0.0	0.1	0.5	0.5	–	(0.6)	(1.8)	(2.4)
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		76.4%	132.1%	78.9%	86.9%	86.9%	86.9%	0.0%	84.4%	84.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		76.4%	132.1%	78.9%	86.9%	86.9%	86.9%	0.0%	84.4%	84.4%	98.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.7%	6.8%	7.3%	10.7%	10.7%	10.7%	0.0%	15.1%	19.2%	23.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	90.0%			90.0%						
Creditors to Cash and Investments		1387.5%	627.6%	-4807.8%	3986.0%	244.7%	244.7%	0.0%	-64.9%	-26.2%	-20.3%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)				10%						
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)				0						
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	19.4%	30.3%	33.8%	39.9%	39.9%	39.9%	0.0%	46.9%	47.4%	49.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	22.2%	33.4%	35.4%	42.6%	42.6%	42.6%		51.3%	52.0%	54.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.4%	7.3%	4.3%	9.3%	9.3%	9.3%		10.8%	11.0%	11.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.7%	4.6%	4.5%	2.7%	2.7%	2.7%	0.0%	0.2%	0.2%	0.2%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	40.0	(19.4)	68.4	73.6	73.6	73.6	–	39.7	39.6	41.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	58.1%	20.5%	21.0%	29.2%	29.2%	29.2%	0.0%	39.0%	48.8%	58.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.6	1.2	(0.2)	0.2	0.2	0.2	–	(0.8)	(1.9)	(2.3)

## 2.4 Overview of budget related-policies

The PLM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### 2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council on 25 March 2008, has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment

of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training institution aims to also train indigent households. In line with the national government's initiative to create a million jobs, all role players are actively involved in the reduction of the number of registered indigent households.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels. In addition, PLM has already embarked on encouraging community to pay for services and those who cannot afford to pay, be registered as indigents.

#### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

The Municipality has recently reviewed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed during the Annual Budget for 2014/15 MTREF and this policy was adopted by council when the Annual Budget was adopted on the 31 May 2014.

#### **2.4.4 Other Reviewed Policies**

The following policies were also reviewed when the Annual Budget for 2014/15 MTREF was prepared:

- Tariffs Policy
- Credit and Debt Collection Policy
- Indigent Policy
- Write-off Policy
- Petty Cash Policy
- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy
- Contingent Liabilities Policy
- Commitments Policy
- Unauthorised, Irregular and Fruitless Expenditure Policy

### **2.5 OVERVIEW OF THE BUDGET ASSUMPTIONS**

#### **2.5.1 External Factors**

The Budget Review 2014 notes that the South African economy has demonstrated flexibility despite unsettled international economic conditions. Although South Africa's economy has expanded over the past years, the rate of growth has steadily declined, from 2.5 per cent of GDP in 2012 to 1.8 per cent in 2013; it is however projected to increase to 2.7 per cent in 2014, and gradually increase to 3.5 per cent by 2016. However, the Consumer Price Index (CPI) inflate and remains at 5.9 for 2014/15 and is anticipated to decrease to 5.6 percent in 2015/2016.

Government is focussing on capital investment in large-scale public-sector infrastructure projects and reducing the cost of doing business through targeted interventions. This will entail shifting the

composition of spending from consumption towards capital investment. Moderating growth in the public-sector wage bill, and stabilising the growth in interest payments, will allow more funds to be spent on infrastructure and social spending.

### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

However, CPI inflation rate is still within the 6 percent parameter set by the South African Reserve Bank.

### **2.5.3 Collection rate for revenue services**

Cash flow is assumed to be 75 percent of billings due to corrective measures that have been implemented. The performance of arrears collection will only be considered as a source of additional cash in-flow once the performance has been carefully monitored.

The achievement of the budgeted revenue is premised on the following assumptions.

- Data cleansing to achieve correct billings
- Upgrading of the bulk electricity infrastructure to the tune of R8m to avoid penalties that the municipality currently pay to Eskom
- Installation of smart/split meters to prevent tempering
- Cleaning and replacing of broken water meters
- Install new meter in Zamani and Ezenzeleni to abolish the flat rate that is currently being used as a form of billing.
- Appointment of three credit controllers and the revenue and credit control manager to improve revenue management. This is subject to CoGTA assisting the municipality with the payment of both the Municipal Manager and the Chief Financial Officer's salary
- Subsidising indigents only, as opposed to the current practice of subsidising every household
- Billing consumers correctly for each service consumed.

### **2.5.4 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2013 and shall remain in force until 30 June 2015. This agreement provides for 6.79 percent increase in municipal employees' salaries for 2014/2015, as stipulated by SALGBC. Moreover, the municipality has just undergone an organisational review and filled the most critical vacancies as per the latest approved organisational structure (organogram). This exercise has drastically increased municipality's salary budget pool for the 2014/2015 financial period, but yet improving service delivery.

### **2.5.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the PLM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the costs incurred for servicing the household is the same whether it is poor or not, but that

no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

## 2.5.6 Impact of National, Provincial and Local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. As thus, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure development;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure, thereby ensuring the achievement of the national, provincial and local objectives.

## 2.5.6 Ability of the municipality to spend and deliver on the programmes

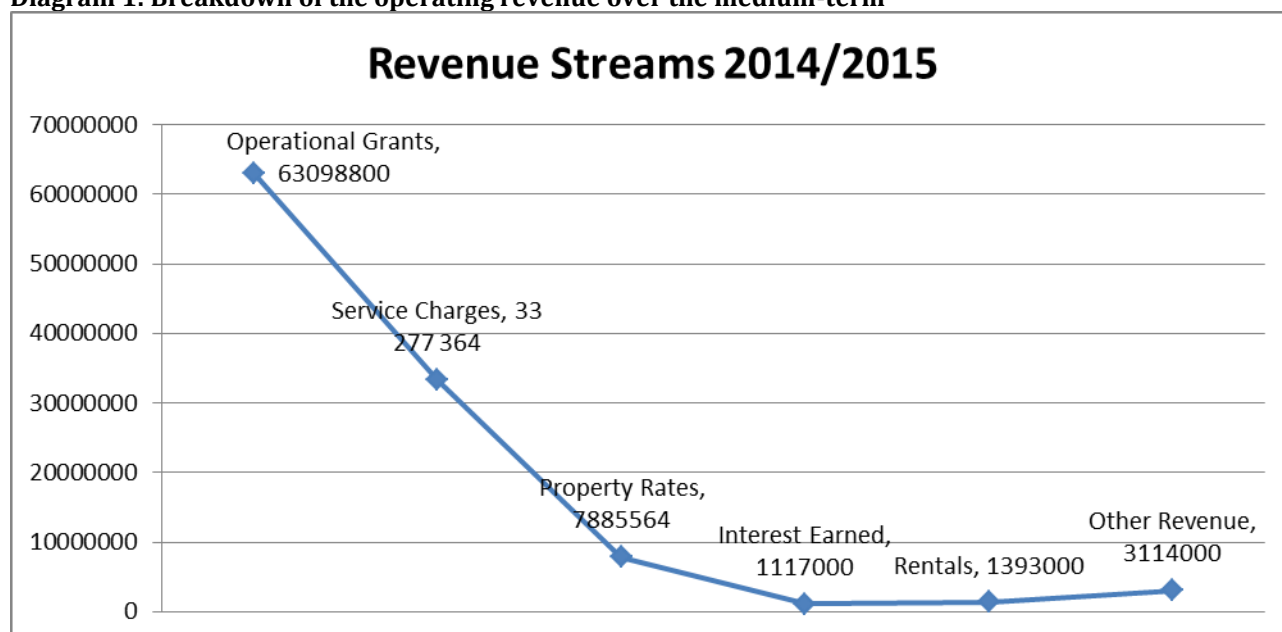
It is estimated that a spending rate of almost 100 percent is achieved on operating expenditure and a total of 100 percent on the capital programme for the 2014/15 MTREF. If the municipality could exhaust all its funds to ensure service delivery to the community, that is a committed municipality.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

The following diagram is a breakdown of the operating revenue over the medium-term:

**Diagram 1: Breakdown of the operating revenue over the medium-term**



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives a reasonable part of its operational revenue from the provision of services such as water, electricity, sanitation and solid waste removal.

Property rates, operating and capital grants from organs of state and other minor charges (such as building fees, licences and permits, etc.) make up the rest of the pie.

The revenue strategy is a function of key components such as:

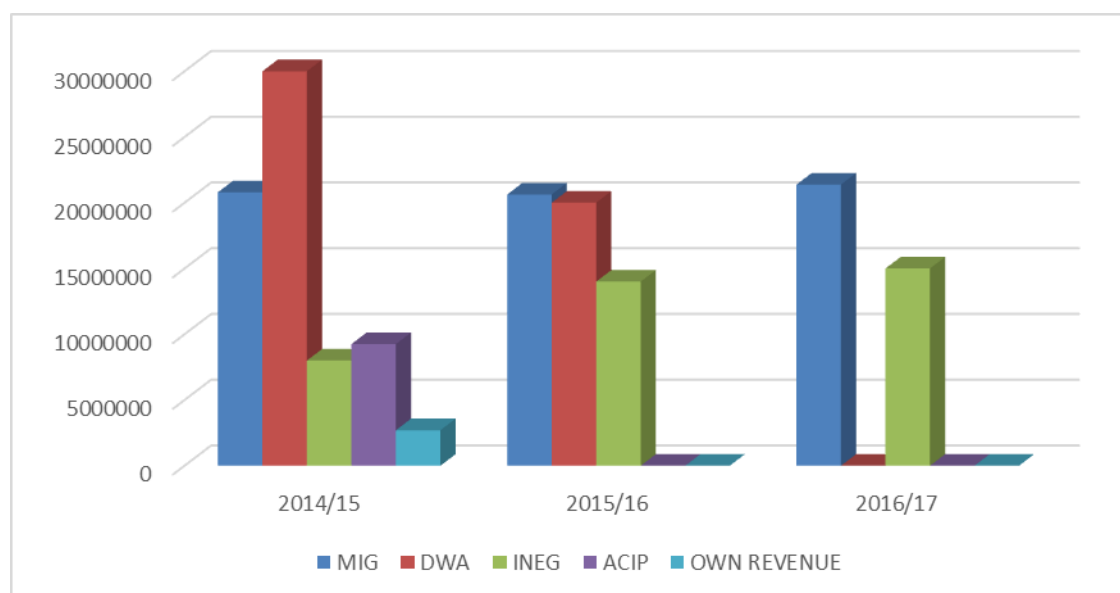
- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of a 75 percent collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charge d to the consumers and the ratepayers aligned to the economic forecasts.

## 2.6.2 Medium-term outlook: Capital Revenue

The following diagram is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

**Diagram 2: Sources of capital revenue over the MTREF**



Grant receipts still remain a significant funding source for the capital programme over the medium-term. The borrowing capacity of PLM has essentially reached its limits and going forward borrowing limits will remain constant.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R2.7m in 2014/15. The main contributing factor to the escalation of 100 percent spending is owing to the fact that PLM budget for capital spending on a year to year basis is funded by conditional grants.

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

Clear separation of capital and operating receipts from government also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue; and

Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 20 (Table A7) – Budgeted Cash flow statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		28 551	48 524	33 555	39 805	39 805	39 805		39 014	41 080	50 647
Government - operating	1	48 861	23 189	59 547	61 710	61 710	61 710		63 099	64 200	63 042
Government - capital	1	55 058	53 117	59 449	45 277	45 277	45 277		67 006	53 596	35 312
Interest		620	896	672	632	632	632		1 117	1 178	1 243
Dividends		-	-	-	-	-	-		-	-	-
<b>Payments</b>											
Suppliers and employees		(75 004)	(96 178)	(97 061)	(100 298)	(100 298)	(100 298)		(106 913)	(111 276)	(117 962)
Finance charges		(367)	(1 187)	(2 027)	(250)	(250)	(250)		(208)	(220)	(233)
Transfers and Grants	1	-	-	-	-	-	-		-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>57 719</b>	<b>28 361</b>	<b>54 135</b>	<b>46 876</b>	<b>46 876</b>	<b>46 876</b>	<b>-</b>	<b>63 115</b>	<b>48 558</b>	<b>32 050</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	63	287	-	-	-		-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-		-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-		-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-		-	-	-
<b>Payments</b>											
Capital assets		(57 158)	(24 757)	(64 838)	(45 277)	(45 277)	(45 277)		(70 746)	(57 449)	(36 381)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(57 158)</b>	<b>(24 695)</b>	<b>(64 551)</b>	<b>(45 277)</b>	<b>(45 277)</b>	<b>(45 277)</b>	<b>-</b>	<b>(70 746)</b>	<b>(57 449)</b>	<b>(36 381)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-		-	-	-
Borrowing long term/refinancing		2 100	-	-	-	-	-		-	-	-
Increase (decrease) in consumer deposits		5	5	-	-	-	-		-	-	-
<b>Payments</b>											
Repayment of borrowing		-	(43)	2 600	-	-	-		-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>2 105</b>	<b>(38)</b>	<b>2 600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>2 666</b>	<b>3 628</b>	<b>(7 816)</b>	<b>1 599</b>	<b>1 599</b>	<b>1 599</b>	<b>-</b>	<b>(7 631)</b>	<b>(8 891)</b>	<b>(4 331)</b>
Cash/cash equivalents at the year begin:	2	<b>277</b>	<b>2 943</b>	<b>6 571</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1 600</b>	<b>(6 030)</b>	<b>(14 921)</b>
Cash/cash equivalents at the year end:	2	<b>2 943</b>	<b>6 571</b>	<b>(1 245)</b>	<b>1 600</b>	<b>1 600</b>	<b>1 600</b>	<b>2</b>	<b>(6 030)</b>	<b>(14 921)</b>	<b>(19 253)</b>

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/2015 MTREF was funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

## 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

**Table 22 – Funding compliance measurement**

FS195 Phumelela Supporting Table SA10 Funding measurement

FS195 Phumelela Supporting Table SA10 Funding measurement												
Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			117,500	93,600	103,614	108,205	108,205	108,205	–	109,886	113,474	114,932
Total Operating Expenditure			77,758	93,054	103,331	108,202	108,202	108,202	–	107,121	111,496	118,195
Surplus/(Deficit) Budgeted Operating Statement			39,741	546	283	3	3	3	–	2,765	1,978	(3,262)
Surplus/(Deficit) Considering Reserves and Cash Backing			10,403	(27,601)	(55,740)	13,558	13,558	13,558	–	12,611	7,369	6,423
MTREF Funded (1) / Unfunded (0)		15	1	0	0	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✖		15	✓	✖	✖	✓	✓	✓	✓	✓	✓	✓

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 23 (Table SA19) – Expenditure on transfers and grant programmes**

FS195 Phumelela - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		47 988	–	59 673	60 446	60 446	60 446	62 059	63 169	61 973
Local Government Equitable Share		44 238	–	56 039	56 906	56 906	56 906	58 325	60 252	58 855
Finance Management		3 000	–	1 500	1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		750	–	800	890	890	890	934	967	1 018
Integrated National Electrification Programme		–	–	–	–	–	–	–	–	–
EPWP Incentive		–	–	–	1 000	1 000	1 000	1 000	–	–
		–	–	–	–	–	–	–	–	–
<b>MIG PMU ESTABLISHMENT</b>		–	–	1 334	–	–	–	–	–	–
<b>Provincial Government:</b>		873	–	760	–	–	–	–	–	–
COGTA - CFO Salary		–	–	760	–	–	–	–	–	–
COGTA - Refuse Dumps		473	–	–	–	–	–	–	–	–
DWA - Drought Relief		400	–	–	–	–	–	–	–	–
COGTA - Social Development		–	–	–	–	–	–	–	–	–
COGTA - Turnaround Strategy		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
<i>DBSA Capacity</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Total operating expenditure of Transfers and Grants</b>		48 861	–	60 433	60 446	60 446	60 446	62 059	63 169	61 973
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		12 630	–	–	45 277	45 277	45 277	68 046	54 627	36 381
Municipal Infrastructure Grant (MIG)		12 630	–	–	25 277	25 277	25 277	20 796	20 627	21 381
Regional Bulk Infrastructure		–	–	–	20 000	20 000	20 000	30 000	20 000	–
Rural Households Infrastructure		–	–	–	–	–	–	–	–	–
Integrated National Electrification Grant		–	–	–	–	–	–	8 000	14 000	15 000
Accelerated Community Infrastructure Programme		–	–	–	–	–	–	9 250	–	–
0		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>		11 046	–	–	–	–	–	–	–	–
<b>COGTA</b>		11 046	–	–	–	–	–	–	–	–
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
<i>Fire Station</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
<i>DBSA Capacity</i>		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
<b>Total capital expenditure of Transfers and Grants</b>		23 676	–	–	45 277	45 277	45 277	68 046	54 627	36 381
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		72 537	–	60 433	105 723	105 723	105 723	130 105	117 796	98 354



**Table 24 (Table SA20) – Reconciliation of transfers, grants receipts and unspent funds**

FS195 Phumelela - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		47 988	–	59 673	61 710	61 710	61 710	63 099	64 200	63 042
<b>Conditions met - transferred to revenue</b>		47 988	–	59 673	61 710	61 710	61 710	63 099	64 200	63 042
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		873	–	760	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		873	–	760	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Total operating transfers and grants revenue</b>		48 861	–	60 433	61 710	61 710	61 710	63 099	64 200	63 042
<b>Total operating transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		12 630	–	26 624	45 277	45 277	45 277	68 046	54 627	36 381
<b>Conditions met - transferred to revenue</b>		12 630	–	26 624	45 277	45 277	45 277	68 046	54 627	36 381
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		11 046	–	56 942	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		11 046	–	56 942	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Total capital transfers and grants revenue</b>		23 676	–	83 566	45 277	45 277	45 277	68 046	54 627	36 381
<b>Total capital transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		72 537	–	143 999	106 987	106 987	106 987	131 145	118 827	99 423
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		–	–	–	–	–	–	–	–	–

## 2.8 Councillor and employee benefits

**Table 25 (Table SA22) – Summary of councillor and staff benefits**

FS195 Phumelela - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		2,190	2,670	2,240	2,869	2,869	2,869	3,063	3,247	3,442
Pension and UIF Contributions		–	–	477	34	34	34	471	500	530
Medical Aid Contributions		–	–	259	–	–	–	288	305	324
Motor Vehicle Allowance		685	758	1,060	956	956	956	–	–	–
Cellphone Allowance		157	175	205	201	201	201	305	324	343
Housing Allowances		25	50	–	–	–	–	–	–	–
Other benefits and allowances		–	–	42	53	53	53	1,049	1,112	1,179
<b>Sub Total - Councillors</b>		3,057	3,653	4,283	4,112	4,112	4,112	5,177	5,488	5,817
<b>% increase</b>	4		19.5%	17.2%	(4.0%)	–	–	25.9%	6.0%	6.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		1,362	1,982	1,600	1,778	1,778	1,778	2,728	2,537	2,700
Pension and UIF Contributions		–	97	322	457	457	457	7	134	143
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	396	824	1,018	1,016	1,016	1,016	1,577	1,832	1,949
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	13	–	–	–	–	–	–
Other benefits and allowances	3	–	173	26	155	155	155	36	38	40
Payments in lieu of leave		–	–	–	145	145	145	–	881	937
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>		1,758	3,076	2,980	3,551	3,551	3,551	4,348	5,422	5,769
<b>% increase</b>	4		75.0%	(3.1%)	19.2%	–	–	22.5%	24.7%	6.4%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		16,694	19,656	22,723	28,112	28,112	28,112	32,399	32,580	34,662
Pension and UIF Contributions		1,908	2,073	3,024	5,082	5,082	5,082	5,345	5,687	6,051
Medical Aid Contributions		474	508	665	626	626	626	2,327	2,476	2,634
Overtime		91	159	1,135	583	583	583	2,015	2,145	2,282
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	36	36	848	1,011	1,011	1,011	1,262	1,469	1,563
Cellphone Allowance	3	1,300	1,183	–	–	–	–	–	–	–
Housing Allowances	3	–	–	191	36	36	36	33	36	38
Other benefits and allowances	3	723	915	815	755	755	755	806	857	912
Payments in lieu of leave		–	–	–	2,228	2,228	2,228	2,422	2,577	2,742
Long service awards		–	–	–	–	–	–	280	261	277
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>		21,226	24,530	29,402	38,431	38,431	38,431	46,889	48,088	51,161
<b>% increase</b>	4		15.6%	19.9%	30.7%	–	–	22.0%	2.6%	6.4%
<b>Total Parent Municipality</b>		26,041	31,259	36,665	46,094	46,094	46,094	56,414	58,997	62,748
			20.0%	17.3%	25.7%	–	–	22.4%	4.6%	6.4%
<b>Board Members of Entities</b>										
Basic Salaries and Wages		–	–	–	–	–	–	–	–	–
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	–	–	–	–	–	–	–
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Board Fees	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Board Members of Entities</b>		–	–	–	–	–	–	–	–	–
<b>% increase</b>	4		–	–	–	–	–	–	–	–
<b>Senior Managers of Entities</b>										
Basic Salaries and Wages		–	–	–	–	–	–	–	–	–
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	–	–	–	–	–	–	–
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Senior Managers of Entities</b>		–	–	–	–	–	–	–	–	–
<b>% increase</b>	4		–	–	–	–	–	–	–	–
<b>Other Staff of Entities</b>										
Basic Salaries and Wages		–	–	–	–	–	–	–	–	–
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	–	–	–	–	–	–	–
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
<b>Sub Total - Other Staff of Entities</b>		–	–	–	–	–	–	–	–	–
<b>% increase</b>	4		–	–	–	–	–	–	–	–
<b>Total Municipal Entities</b>		–	–	–	–	–	–	–	–	–
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		26,041	31,259	36,665	46,094	46,094	46,094	56,414	58,997	62,748
<b>% increase</b>	4		20.0%	17.3%	25.7%	–	–	22.4%	4.6%	6.4%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	22,984	27,606	32,381	41,982	41,982	41,982	51,237	53,510	56,931

**Table 26 (Table SA24) – Summary of personnel numbers**

FS195 Phumelela - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)		14	1	13	15	1	14	15	-	15
Board Members of municipal entities	4	-	-	-	-	-	-	-	-	-
<b>Municipal employees</b>	5	-	-	-	-	-	-	-	-	-
Municipal Manager and Senior Managers	3	4	-	4	4	-	4	4	-	4
Other Managers	7	-	-	-	-	-	-	-	-	-
Professionals		21	21	-	9	9	-	8	8	-
Finance		5	5	-	7	7	-	7	7	-
Spatial/town planning		1	1	-	1	1	-	-	-	-
Information Technology		-	-	-	1	1	-	1	1	-
Roads		-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Sanitation		-	-	-	-	-	-	-	-	-
Refuse		-	-	-	-	-	-	-	-	-
Other		15	15	-	-	-	-	-	-	-
Technicians		33	33	-	187	187	-	172	172	-
Finance		14	14	-	26	26	-	30	30	-
Spatial/town planning		-	-	-	2	2	-	2	2	-
Information Technology		-	-	-	-	-	-	-	-	-
Roads		1	1	-	1	1	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	27	27	-	24	24	-
Sanitation		-	-	-	62	62	-	50	50	-
Refuse		-	-	-	51	51	-	46	46	-
Other		18	18	-	18	18	-	20	20	-
Clerks (Clerical and administrative)		8	6	2	8	8	-	-	-	-
Service and sales workers		163	163	-	103	94	9	103	94	9
Skilled agricultural and fishery workers		-	-	-	-	-	-	-	-	-
Craft and related trades		-	-	-	-	-	-	-	-	-
Plant and Machine Operators		13	13	-	13	13	-	13	13	-
Elementary Occupations		-	-	-	-	-	-	-	-	-
<b>TOTAL PERSONNEL NUMBERS</b>	9	256	237	19	339	312	27	315	287	28
<b>% increase</b>					32.4%	31.6%	42.1%	(7.1%)	(8.0%)	3.7%
<b>Total municipal employees headcount</b>	6, 10	256	237	19	339	312	27	339	312	27
Finance personnel headcount	8, 10	23	23	-	33	33	-	33	33	-
Human Resources personnel headcount	8, 10	1	1	-	2	2	-	2	2	-

## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 27 (Table SA25) – Budgeted monthly revenue and expenditure**

FS195 Phumelela - Supporting Table SA25 Budgeted monthly revenue and expenditure

Budget Year 2014/15														Medium Term Revenue and Expenditure Framework		
Description	Ref	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand																
Revenue By Source																
Property rates		657	657	657	657	657	657	657	657	657	657	657	657	7 886	8 313	8 763
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	13 785	14 531	15 317
Service charges - water revenue		544	544	544	544	544	544	544	544	544	544	544	544	6 533	6 887	7 260
Service charges - sanitation revenue		595	595	595	595	595	595	595	595	595	595	595	595	7 145	7 532	7 940
Service charges - refuse revenue		485	485	485	485	485	485	485	485	485	485	485	485	5 814	6 129	6 461
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		116	116	116	116	116	116	116	116	116	116	116	116	1 393	1 415	1 437
Interest earned - external investments		45	45	45	45	45	45	45	45	45	45	45	45	543	573	605
Interest earned - outstanding debtors		48	48	48	48	48	48	48	48	48	48	48	48	574	605	638
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		6	6	6	6	6	6	6	6	6	6	6	6	67	72	77
Licences and permits		2	2	2	2	2	2	2	2	2	2	2	2	23	25	27
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		5 476	5 476	5 476	5 476	5 476	5 476	5 476	5 476	5 476	5 476	5 476	2 861	63 099	64 200	63 042
Other revenue		34	34	34	34	34	34	34	34	34	34	34	2 649	3 024	3 192	3 365
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		9 157	9 157	9 157	9 157	9 157	9 157	9 157	9 157	9 157	9 157	9 157	9 157	109 886	113 474	114 932
Expenditure By Type																
Employee related costs		4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 633	51 529	53 820	57 260
Remuneration of councillors		432	432	432	432	432	432	432	432	432	432	432	432	5 190	5 501	5 831
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance charges		17	17	17	17	17	17	17	17	17	17	17	17	208	220	233
Bulk purchases		1 302	1 302	1 302	1 302	1 302	1 302	1 302	1 302	1 302	1 302	1 302	1 302	15 619	16 467	17 360
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		350	350	350	350	350	350	350	350	350	350	350	350	4 200	4 430	4 671
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	30 375	31 058	32 839
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		8 896	8 896	8 896	8 896	8 896	8 896	8 896	8 896	8 896	8 896	8 896	9 266	107 121	111 496	118 195
Surplus/(Deficit)																
Transfers recognised - capital		261	261	261	261	261	261	261	261	261	261	261	(109)	2 765	1 978	(3 262)
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions																
Taxation		261	261	261	261	261	261	261	261	261	261	261	(109)	2 765	1 978	(3 262)
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	261	261	261	261	261	261	261	261	261	261	261	(109)	2 765	1 978	(3 262)

## 2.10 Annual budgets and SDBIPs – internal departments

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 28 days after the approval of the annual budget. Therefore, at the time when this budget was adopted the SDBIP was yet to be approved.

## 2.11 Contracts having future budgetary implications

In terms of the PLM's Supply Chain Management Policy, no contracts are awarded beyond the medium term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.12 Capital expenditure details

The following tables' present details of the PLM's capital expenditure programme, firstly on new assets and on the repair and maintenance of assets.

**Table 28 (Table SA34a) – Capital expenditure on new assets by asset class**

FS195 Phumelela - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand	1										
Capital expenditure on new assets by Asset Class/Sub-class											
Infrastructure	2	22,109	62,272	79,807	41,614	41,614	41,614	67,627	53,624	33,174	
Infrastructure - Road transport		7,086	7,622	3,907	4,500	4,500	4,500	18,972	18,033	5,936	
Roads, Pavements & Bridges		7,086	7,622	3,907	4,500	4,500	4,500	18,972	18,033	5,936	
Storm water		-	-	-	-	-	-	-	-	-	
Infrastructure - Electricity		2,273	-	4,500	-	-	-	8,000	14,000	15,000	
Generation		-	-	-	-	-	-	-	-	-	
Transmission & Reticulation		2,273	-	4,500	-	-	-	8,000	14,000	15,000	
Street Lighting		-	-	-	-	-	-	-	-	-	
Infrastructure - Water		6,157	31,790	49,625	30,293	30,293	30,293	30,365	20,560	11,169	
Dams & Reservoirs		-	-	11,010	30,293	30,293	30,293	30,365	20,560	11,169	
Water purification		6,157	31,790	35,000	-	-	-	-	-	-	
Reticulation		-	-	3,615	-	-	-	-	-	-	
Infrastructure - Sanitation		6,593	22,860	20,275	5,507	5,507	5,507	9,250	-	-	
Reticulation		6,593	22,860	20,275	5,507	5,507	5,507	9,250	-	-	
Sewerage purification		-	-	-	-	-	-	-	-	-	
Infrastructure - Other		-	-	1,500	1,314	1,314	1,314	1,040	1,031	1,069	
Waste Management		-	-	1,500	50	50	50	-	-	-	
Transportation		-	-	-	-	-	-	-	-	-	
Gas		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	1,264	1,264	1,264	1,040	1,031	
Community		3	1,566	11,845	4,042	4,213	4,213	4,213	3,119	3,534	3,207
Parks & gardens		7	-	-	-	-	-	-	-	-	-
Sportsfields & stadia			758	-	4,042	4,213	4,213	4,213	3,119	3,534	3,207
Swimming pools			-	-	-	-	-	-	-	-	-
Community halls			-	9,845	-	-	-	-	-	-	-
Libraries			-	-	-	-	-	-	-	-	-
Recreational facilities			-	-	-	-	-	-	-	-	-
Fire, safety & emergency			808	-	-	-	-	-	-	-	-
Security and policing			-	-	-	-	-	-	-	-	-
Buses			-	-	-	-	-	-	-	-	-
Clinics			-	-	-	-	-	-	-	-	-
Museums & Art Galleries			-	-	-	-	-	-	-	-	-
Cemeteries			-	-	-	-	-	-	-	-	-
Social rental housing	8		-	-	-	-	-	-	-	-	
Other	-		2,000	-	-	-	-	-	-	-	
Heritage assets	9		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Investment properties	10	-	-	-	-	-	-	-	-	-	
Housing development		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Other assets	10	-	3,500	2,835	1,000	1,000	1,000	-	-	-	
General v ehicles		-	-	-	1,000	1,000	1,000	-	-	-	
Specialised vehicles		-	-	700	-	-	-	-	-	-	
Plant & equipment		-	-	-	-	-	-	-	-	-	
Computers - hardw are/equipment		-	-	150	-	-	-	-	-	-	
Furniture and other office equipment		-	3,500	1,985	-	-	-	-	-	-	
Abattoirs		-	-	-	-	-	-	-	-	-	
Markets		-	-	-	-	-	-	-	-	-	
Civic Land and Buildings		-	-	-	-	-	-	-	-	-	
Other Buildings		-	-	-	-	-	-	-	-	-	
Other Land		-	-	-	-	-	-	-	-	-	
Surplus Assets - (Inv estment or Inv entory)		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Agricultural assets			-	-	-	-	-	-	-	-	-
List sub-class			-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	
List sub-class		-	-	-	-	-	-	-	-	-	
Intangibles		-	-	-	-	-	-	-	-	-	
Computers - softw are & programming		-	-	-	-	-	-	-	-	-	
Other (list sub-class)		-	-	-	-	-	-	-	-	-	
Total Capital Expenditure on new assets	1	23,675	77,617	86,684	46,827	46,827	46,827	70,746	57,159	36,381	
Specialised vehicles		-	-	700	-	-	-	-	-	-	
Refuse		-	-	-	-	-	-	-	-	-	
Fire		-	-	700	-	-	-	-	-	-	
Conservancy		-	-	-	-	-	-	-	-	-	
Ambulances		-	-	-	-	-	-	-	-	-	

## **PART 2 : SUPPORTING DOCUMENTATION**

### **2.13 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **2.13.1 In-year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

#### **2.13.2 Internship programme**

The PLM is participating in the Municipal Financial Management Internship programme and has employed eight interns undergoing training in various divisions of the Financial Services Department with effect from September 2012. All the previous interns have been appointed permanently with effect from March 2013. Since the introduction of the Internship programme the PLM has successfully employed and trained ten interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG, Anglo American and municipalities such as Lekwa Local Municipality and Thabo Mofutsanyana District municipality.

#### **2.13.3 Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

#### **2.13.4 Audit Committee**

PLM is currently using a shared district Audit Committee but it is in the process of establishing its own Audit Committee and interviews will be held with the Audit Committee candidates.

#### **2.13.5 Service Delivery and Implementation Budget Plan**

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.

#### **2.13.6 Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

#### **2.13.7 MFMA Training**

Current Interns are busy undergoing the MFMA training module in electronic format, and have been registered for the Municipal Finance Management Programme from 1 July 2013. Nine officials of the municipality have undergone the Municipal Finance Management Programme and are awaiting results.

#### **2.13.8 Policies**

All Phumelela Local Municipality's developed and reviewed policies are aligned to government legislations and regulations as gazetted. Any amendments to our policies will not deviate from gazetted legislations and regulations.

## TARIFF LIST

Below is a list of all the tariffs that the municipality will charge for the consumption of municipal services.

<b>SEWERAGE</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>% Increase</b>		105.60 %	108.50 %	105.40 %	105.40 %
Residential		71.86	77.97	82.18	86.62
Additional Toilet			20.00	20.00	20.00
Businesses		243.64	264.35	278.62	293.67
Blockages		246.03	266.94	281.35	296.55
Septic Tank		246.03	266.94	281.35	296.55
Septic Tank 100-200 L		49.21	53.39	56.27	59.31
Hotels & Hostels		729.69	791.71	834.47	879.53
Retirement Homes		71.86	77.97	82.18	86.62
Buckets		71.86	77.97	82.18	86.62
<b>REFUSE</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>% Increase</b>		105.60 %	109.50 %	105.40 %	105.40 %
Residential		63.06	69.05	72.78	76.71
Businesses		146.24	160.13	168.78	177.89
Flats		63.06	69.05	72.78	76.71
Garden Refuse /sq.m		369.04	404.10	425.92	448.92
Building Refuses /cub.m		553.56	606.15	638.88	673.38
Churches		63.06	69.05	72.78	76.71
<b>WATER</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>% Increase</b>		105.60 %	112.00 %	114.50 %	114.50 %
Residential/per Kl		6.59	7.38	7.78	8.20
Vrede Marina/per Kl		6.59	7.38	7.78	8.20
Departmental/per Kl		4.51	5.06	5.33	5.62
Flat rate		46.15	51.69	54.48	57.43
Business/Government		8.33	9.33	9.83	10.36
<b>WATER Block Tariffs</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>% Increase</b>		105.60 %	112.00 %	114.50 %	114.50 %
Residential/per Kl	1 - 6 KL	6.59	7.38	7.78	8.20
	7 - 10 KL		8.12	8.56	9.02
	11 - 15 KL		8.93	9.41	9.92
	16 - 20 KL		9.82	10.35	10.91

	21 - 30 KL		10.81	11.39	12.00
	> 31 KL		11.89	12.53	13.21
Departmental/per Kl			5.06	5.33	5.62
Flat rate			51.69	54.48	57.42
Business/Government			9.33	9.83	10.36
<b>PROPERTY RATES</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
% Increase		105.60 %	107.50 %	105.40 %	105.40 %
Residential- (Total less R 45 000)		0.0047	0.0051	0.0054	0.0057
Business/Government (Total less R 45 000)		0.0067	0.0073	0.0077	0.0081
Government- Rebate 30%		-	-	-	-
Schools- (Total less R 45 000) Rebate 30%		0.0012	0.0013	0.0013	0.0014
Agriculture		0.0009	0.0013	0.0013	0.0014
*The rate for agricultural properties is the effective rate, net of any rebates up to and including 75% of the rebates granted in terms of the policy on property rates					
<b>ELECTRICITY - WARDEN/EZENZELENI</b>					
		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
% Increase		108.00 %	107.39 %	107.39 %	107.39 %
<b>Residential / Dwellings / Flat</b>					
	Basic	81.55	87.58	94.05	101.00
	<u>Conventional:</u> Energy cost per kWh	1.15	1.24	1.33	1.43
	<u>Prepaid:</u> Energy cost per kWh	1.15	1.24	1.33	1.43
<b>Businesses</b>					
	Basic				
	<u>Conventional:</u> Energy cost 1 - 25 kVA	206.83	222.11	238.53	256.15
	<u>Conventional:</u> Energy cost 26 - 50 kVA	285.72	306.84	329.51	353.86
	<u>Conventional:</u> Energy cost 51 - 100 kVA	474.58	509.65	547.32	587.76
	<u>Conventional:</u> Energy cost per kWh	1.26	1.35	1.45	1.56
	<u>Prepaid:</u> Energy cost per kWh	1.26	1.35	1.45	1.56



<b>Industrial &amp; Other</b>					
	Basic	647.86	695.73	747.15	802.36
	<u>Conventional:</u> Energy cost per kWh	0.60	0.65	0.69	0.75
	<u>Conventional:</u> Energy cost per kVA	197.07	211.64	227.28	244.07
<b>Non Residential</b>					
	Basic				
	<u>Conventional:</u> Energy cost 1 - 25 kVA	371.44	398.89	428.37	460.03
	<u>Conventional:</u> Energy cost 26 - 50 kVA	462.52	496.70	533.40	572.82
	<u>Conventional:</u> Energy cost 51 - 100 kVA	693.84	745.11	800.17	859.31
	<u>Conventional:</u> Energy cost thereafter per kVA	1.98	2.13	2.29	2.46
<b>Hostels / Schools</b>					
	Basic	300.02	322.20	346.01	371.58
	<u>Conventional:</u> Energy cost per kWh	1.13	1.21	1.30	1.39
<b>Departmental</b>					
	<u>Conventional:</u> Energy cost per kWh	1.31	1.41	1.52	1.63
<b>Vacant Erven</b>					
	Basic	92.66	99.51	106.86	114.76
<b>ELECTRICITY - BLOCK TARIFFS</b>		<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
% Increase		108.00 %	107.39 %	107.39 %	107.39 %
<b>RESIDENTIAL</b>	<b>Block 1</b>				
	0-50	1.02	1.09	1.18	1.26
	<b>Block 2</b>				
	51-350	1.08	1.24	1.33	1.43
	<b>Block 3</b>				
	351-600	1.29	1.39	1.49	1.60
	<b>Block 4</b>				
	>600	1.62	1.74	1.87	2.00

#### **2.14 Municipal manager's quality certificate**

I ....., municipal manager of Phumelela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Phumelela Local Municipality (FS195)

Signature \_\_\_\_\_

Date \_\_\_\_\_